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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 TRANSACTION SUPPLEMENTAL OPERATING AGREEMENT EXTENSION OF THE TERM OF THE EXISTING OPERATING AGREEMENT

The Board announces that on 30 April 2008, Lanson Place entered into the Supplemental Operating Agreement with the WFOE to amend the Existing Operating Agreement. Under the terms of the Supplemental Operating Agreement, the term of the Existing Operating Agreement is extended to 21 June 2018.

The Supplemental Operating Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. As the Supplemental Operating Agreement was entered into on normal commercial terms and the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules is expected to be, on an annual basis, more than 0.1% but less than 2.5%, it is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but does not require the approval of the Company's independent shareholders.

1. BACKGROUND AND DETAILS OF THE SUPPLEMENTAL OPERATING AGREEMENT

Reference is made to the announcement of the Company dated 23 June 2005 where the Company announced that, among other things, the Existing Operating Agreement was entered into between Lanson Place and the WFOE on 22 June 2005.

Under the Existing Operating Agreement, Lanson Place was to manage and operate the Project. The Existing Operating Agreement was for a term of three years from 22 June 2005.

In return, Lanson Place would receive in cash:

- (a) a basic management fee in an amount equal to a percentage of the net revenue for each operating year, such fee being payable monthly within twenty days following the WFOE's receipt of each monthly financial report for the Project; and

* *For identification purposes only*

- (b) an incentive management fee, if any, for each operating year in an amount equal to a percentage of earnings before interest, tax, depreciation and amortisation for the relevant operating year, such fee being payable within twenty days following the WFOE's receipt of the audited annual financial report for the Project.

The amount of the above fees was determined by mutual agreement between Lanson Place and the WFOE based on arms' length negotiations by reference to the management fees charged by the Group for comparable projects.

The WFOE would also reimburse Lanson Place for certain out-of-pocket expenses incurred by Lanson Place in connection with the operation and management of the Project.

The Existing Operating Agreement has continued in force to date and will expire on 21 June 2008.

In view of the forthcoming expiry of the Existing Operating Agreement, the Board announces that on 30 April 2008, Lanson Place entered into the Supplemental Operating Agreement with the WFOE to amend the Existing Operating Agreement. The parties to the Supplemental Operating Agreement agreed to extend the term of the Existing Operating Agreement to 21 June 2018.

It was also announced in the announcement of the Company dated 23 June 2005 that Lanson Place Bermuda had entered into the Licence Agreement with the WFOE. Under the Licence Agreement, Lanson Place Bermuda has granted a royalty-free, non-exclusive licence to the WFOE to use in the PRC certain trademarks in connection with the operation of the Project as serviced apartments. The Licence Agreement provides that its term shall be the same as that of the Existing Operating Agreement. Accordingly, the term of the Licence Agreement is also extended to 21 June 2018 as a result of the Supplemental Operating Agreement.

2. ANNUAL CAPS

The Directors estimate that the maximum aggregate annual values of the Existing Operating Agreement as amended by the Supplemental Operating Agreement ("Annual Caps") will be as follows:

For the year ending 31 December (HK\$ million)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
3.3	4.0	4.8	5.6	6.5	7.6	8.4	9.2	10.1	11.2	12.3

The Annual Caps represent an estimate of the maximum aggregate annual amount of the fees payable to, and the expenses to be reimbursed to, Lanson Place under the Existing Operating Agreement as amended by the Supplemental Operating Agreement. The Annual Caps have been determined on the basis of:

- (a) historical financial information for each of the two financial years ended 31 December 2006 and 31 December 2007. The aggregate annual values of the Existing Operating Agreement for the two financial years ended 31 December 2006 and 31 December 2007 amounted to approximately HK\$1,523,000 and HK\$2,612,000, respectively;
- (b) the revenues of comparable properties in Shanghai as disclosed in publicly available market research materials;
- (c) the current occupancy rate of the Project;
- (d) the estimated annual rate of inflation in Shanghai of 10% for year 2008 to year 2010, 8% for year 2011 to year 2013 and 5% thereafter; and
- (e) the estimated annual rate of appreciation of Renminbi in relation to Hong Kong dollars of 10% for year 2008 to year 2010, 8% for year 2011 to year 2013 and 5% thereafter.

3. INFORMATION ABOUT THE PRINCIPAL BUSINESSES OF THE COMPANY AND THE PARTIES TO THE SUPPLEMENTAL OPERATING AGREEMENT

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

Lanson Place is principally engaged in hospitality management.

The principle business of the WFOE is to own, operate, manage, sell and realise value from its ownership of the Project.

4. REASONS FOR THE ENTRY INTO THE SUPPLEMENTAL OPERATING AGREEMENT

Lanson Place has been operating and managing the Project. The Directors consider it beneficial for the Group to enter into a long-term operating agreement to ensure continuity of operation and management services, which will further strengthen and expand the Group's hospitality management business.

The Directors, including the independent non-executive directors of the Company, have considered the Supplemental Operating Agreement and are of the opinion that it is on normal commercial terms and its terms are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

5. LISTING RULES IMPLICATIONS

The WFOE, a party to the Supplemental Operating Agreement, is a subsidiary of MSREF IV International, which is a substantial shareholder of a subsidiary of the Company. The WFOE is therefore an associate of MSREF IV International and a connected person of the Company. Accordingly the Supplemental Operating Agreement

constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Supplemental Operating Agreement has been entered into on normal commercial terms and the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules is expected to be, on an annual basis, more than 0.1% but less than 2.5%, the Supplemental Operating Agreement is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but does not require the approval of the Company's independent shareholders.

The Company will comply with the continuing obligations under Rules 14A.37 to 14A.40 of the Listing Rules and will re-comply with the relevant Listing Rules if the Annual Caps are exceeded, when the term of the Existing Operating Agreement as extended by the Supplemental Operating Agreement is renewed again and when there is any material change to its terms.

6. INDEPENDENT FINANCIAL ADVISER ("IFA")

The Supplemental Operating Agreement is of a duration longer than three years. Pursuant to Rule 14A.35(1) of the Listing Rules, the period for an agreement in relation to a continuing connected transaction must not exceed three years, except in special circumstances where the nature of the transaction requires. The Company has therefore appointed Piper Jaffray Asia Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, as the IFA to comment on the duration of the Supplemental Operating Agreement.

The IFA considers:

- (a) that an operating agreement for a term longer than that of the Existing Operating Agreement is necessary to align the mutual interests of Lanson Place and the WFOE;
- (b) that as the Project is the first hospitality management project of the Group in the PRC, the Group can leverage on a continuous contractual relationship with the WFOE to build up its "Lanson Place" brand name in the PRC;
- (c) 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, it is normal market practice for serviced apartment management companies to enter into long-term management contracts so as to capture the monetary benefits brought by time and resources committed to the operations; and
- (d) the term of a number of operating agreements or similar arrangements of a number of other companies in relation to the provision of cross-border hospitality management services typically of ten years or longer.

The IFA therefore considers that the term of the Existing Operating Agreement is required to be extended for a further term of more than three years and that it is normal

business practice for contracts of this type to be of such duration.

EXPRESSIONS USED IN THIS ANNOUNCEMENT

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

“Board”	means the board of Directors;
“Company”	means USI Holdings Limited, a company incorporated in Bermuda with limited liability the issued shares of which are listed on The Stock Exchange of Hong Kong Limited;
“Directors”	means the directors of the Company;
“Existing Operating Agreement”	means the serviced residences operating agreement dated 22 June 2005 between the WFOE and Lanson Place;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Lanson Place”	means Lanson Place Hospitality Management Limited (formerly known as Lanson Place Management Limited), a subsidiary of the Company incorporated in Hong Kong;
“Lanson Place Bermuda”	means Lanson Place Hotels & Residences (Bermuda) Limited, a subsidiary of the Company incorporated in Bermuda;
“Licence Agreement”	means the licence agreement dated 22 June 2005 between the WFOE and Lanson Place Bermuda;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MSREF IV International”	means The Morgan Stanley Real Estate Fund IV International Funds comprising several private equity real estate investment funds;
“PRC”	means the People’s Republic of China;
“Project”	means the 106 serviced apartments at Lane 168 Xingye Road, Shanghai, PRC, comprising Tower 2 of the Jin Lin Tiandi project and the car parks and the club house ancillary to those serviced apartments, with a total gross floor area of

	approximately 22,041 square metres;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Supplemental Operating Agreement”	means the supplemental operating agreement dated 30 April 2008 between the WFOE and Lanson Place;
“WFOE”	means Shanghai Jinlin Tiandi Serviced Apartment Management Co., Ltd., which is owned by the Company as to 23.4%.

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

Hong Kong, 30 April 2008

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