

# USI HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code : 369)

## POSSIBLE JOINT VENTURE ARRANGEMENT RELATING TO PACKAGE ONE OF THE TSEUNG KWAN O PROJECT – VERY SUBSTANTIAL ACQUISITION

On 12 January 2005, USI entered into the MOA with Nan Fung. Pursuant to the MOA, Nan Fung and USI agreed to establish JVCO as a joint venture to execute the Project, if JVCO's tender for the Project is successful and shareholders of USI approve the establishment of the joint venture through JVCO.

Pursuant to the MOA, subject to the fulfilment of the conditions referred to above each of USI and Nan Fung will each hold 50% shareholding in the JVCO and USI will reimburse Nan Fung for half of the tender deposit paid and costs incurred in relation to the tender submitted by the JVCO and will indemnify Nan Fung against 50% of Nan Fung's liabilities in respect of a bank undertaking given in connection with the tender. The Company will make a further announcement after the results of the tender are announced by MTRC.

The formation of a joint venture through the JVCO by USI under the MOA if it proceeds will be a very substantial acquisition for USI under the Listing Rules. It is therefore subject to the approval of shareholders of USI in general meeting. A circular containing the details of the MOA and notice of the SGM will be despatched in due course. If the tender is unsuccessful, the JVCO will not be established.

### SUMMARY OF THE MOA:

Date of agreement : 12 January 2005  
Parties : USI  
Nan Fung

To the best of the knowledge, information and belief of the directors of USI and having made all reasonable enquiries, Nan Fung and its ultimate beneficial owner are independent third parties not connected with USI, and directors, chief executive or substantial shareholders of USI or any of its subsidiaries or any of their respective associates as defined in the Listing Rules.

Purpose of the MOA : The MOA is an agreement to establish the JVCO as a joint venture for the purpose of executing the Project, if JVCO's tender for the Project is successful and shareholders of USI approve the establishment of the joint venture through JVCO. Subject to the fulfilment of the conditions referred to above each of USI and Nan Fung will each hold 50% shareholding in the JVCO and USI will reimburse Nan Fung for half of the tender deposit paid and costs incurred in relation to the tender submitted by the JVCO and will indemnify Nan Fung against 50% of Nan Fung's liabilities in respect of a bank undertaking given by it in connection with the tender.

Business objective of the JVCO : The JVCO is established for the purpose of and tendering for the Project and if successful, developing it. The JVCO, currently an indirect wholly owned subsidiary of Nan Fung, has been incorporated on 24 September 2004. The JVCO has not carried out any business activities since the date of its incorporation.

Under the MOA, subject to the fulfilment of the conditions described above, JVCO will be restructured to become a joint venture of USI and Nan Fung so that it is owned as to 50% by each of them.

Total investment amount : The total commitment of USI in respect of JVCO comprises the following:–

- USI will be required to reimburse Nan Fung (a) HK\$10,000,000, being 50% of the tender deposit paid and (b) 50% of the external costs incurred in respect of the tender by JVCO;
- USI will be required to indemnify Nan Fung against 50% of its liabilities under and in respect of a bank undertaking given in respect of the tender;
- USI will be required to provide 50% of the funding required by the JVCO to execute the Project.

The total commitment of USI is currently estimated to be approximately HK\$1,600 million, being half of the estimated cost of the Project. The commitment was calculated by reference to USI's proposed equity interests in the JVCO.

The cost of the Project is estimated at HK\$3,200 million and will be funded by bank borrowings to be arranged by the JVCO and/or internal resources of USI and Nan Fung. If required by the lenders, the assets of the JVCO may be charged as security and USI/Nan Fung or its holding company may provide guarantees on a several basis in proportion to their respective equity interests in the JVCO.

Development of the Project : The Project comprises the building of five residential towers, a resident clubhouse, car parking provision, privately owned RCHE Accommodation, a commercial podium comprising a commercial accommodation and the Government Accommodation.

The gross floor area of the Project is approximately 139,840 square meters, including about 136,240 square meters of residential area for building of about 2,096 residential flats, about 3,100 square meters of RCHE Accommodation and about 500 square meters of commercial accommodation.

Board composition of the JVCO : The board of directors of the JVCO will consist of 6 directors. USI is entitled to appoint 3 directors and Nan Fung is entitled to appoint 3 directors.

Profit sharing : The net distributable profit of the JVCO will be shared by USI and Nan Fung in proportion to their respective equity interests in the JVCO.

### SOURCE OF FUNDING

The investment of USI in the JVCO will be funded by both bank financing and internal resources of USI. The JVCO is expected to be classified as a jointly controlled entity in the books of USI.

### REASONS FOR AND BENEFITS OF ESTABLISHMENT OF THE JOINT VENTURE THROUGH THE JVCO

USI has extensive experience in property development projects. USI and Nan Fung have in the past successfully worked together on other development projects. The previous joint venture arrangements were able to enhance the competitiveness of both parties, spread the risk of investments and achieve synergy. The directors of USI consider the establishment of the joint venture through the JVCO to be consistent with the business and commercial objectives of USI and be a good opportunity for USI to strengthen its property business.

The directors of USI are of the opinion that the establishment of the joint venture through the JVCO is : (i) on terms negotiated on an arm's length basis; (ii) in the ordinary and usual course of businesses of USI; and (iii) fair and reasonable and in the interests of USI and its shareholders as a whole.

### VERY SUBSTANTIAL ACQUISITION

Based on the commitment of approximately HK\$1,600 million of USI to the JVCO, under the MOA, the establishment of a joint venture through the JVCO constitutes a very substantial acquisition for USI under the Listing Rules. A circular containing the details of the very substantial acquisition and notice of the SGM will be despatched to the shareholders of USI in due course. If the tender is unsuccessful, the JVCO will not be established.

### REQUIREMENTS OF THE LISTING RULES

The consideration ratio calculated as required by Chapter 14 of the Listing Rules is greater than 100% for USI in respect of its obligations in relation to the establishment of the joint venture through the JVCO. Accordingly, the establishment of the joint venture through the JVCO is a very substantial acquisition for USI and is required to be made conditional on shareholders approval on which vote of any shareholder and its associates with a material interest in the transaction must abstain from voting and under Rule 14.49 written shareholders approval will not be accepted in lieu of holding a general meeting. Presently, there are no shareholders required to abstain from voting in relation to the establishment of the joint venture through the JVCO.

In conjunction with the establishment of the joint venture through the JVCO, each of the Major Shareholders have executed by way of a deed an irrevocable undertaking in favour of Nan Fung and USI to vote in favour of the resolution to be proposed at the SGM to approve the establishment of the joint venture through the JVCO and not to dispose of its shareholding in USI before the holding of the SGM.

The Major Shareholders beneficially own the following shares in the Company:–

Name of Major Shareholders	Number of Shares	Percentage shareholding (as at 12 January 2005)
Brave Dragon Limited	106,345,862	20.21%
Wing Tai Garment Manufactory (Singapore) Pte Limited	4,250,000	0.81%
Bestime Resources Limited	68,747,996	13.06%
Pofung Investments Limited	66,698,122	12.67%
Broxbourne Assets Limited	14,962,968	2.84%
Mr. Cheng Wai Chee, Christopher	2,075,999	0.40%
Mr. Cheng Wai Sun, Edward	2,000,000	0.38%
<b>Total</b>	<b>265,080,947</b>	<b>50.37%</b>

Mr. Cheng Wai Chee, Christopher JP is the Chairman of the Company and controls more than one-third of the voting rights at general meetings of the holding companies of Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited. Mr. Cheng Wai Sun, Edward is the brother of Mr. Cheng Wai Chee, Christopher and is the chief executive of the Company. Both Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are also beneficiaries of a trust the assets of which include indirect interests in shares in Brave Dragon Limited and Wing Tai Garment Manufactory (Singapore) Pte Limited.

### GENERAL

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

Nan Fung is an investment holding company. Nan Fung together with its subsidiaries are principally engaged in financing, securities, property investment, property rental and development activities.

The Company will make a further announcement after the results of the tender are announced by MTRC.

### DEFINITIONS

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

“Government Accommodation”	the community hall and the integrated centre for young people services to be included as part of the Project
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region
“JVCO”	Crown Century Development Limited, a company incorporated in Hong Kong with limited liability to tender for the Project pursuant to the MOA and if the tender for the Project is successful, to develop it
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Major Shareholders”	Brave Dragon Limited, Wing Tai Garment Manufactory (Singapore) Pte Limited, Bestime Resources Limited, Pofung Investments Limited, Broxbourne Assets Limited, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward
“MOA”	a Memorandum of Agreement entered into between USI and Nan Fung on 12 January 2005, the details of which are set out in this announcement
“MTRC”	MTR Corporation Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
“Nan Fung”	Nan Fung Development Limited, a company incorporated in Hong Kong with limited liability
“Project”	the development of Package One of a site at Tseung Kwan O owned by the MTRC
“RCHE Accommodation”	the residential care home for the elderly to be included as part of the Project
“SGM”	the special general meeting of USI to be convened to consider and approve the establishment of the joint venture through the JVCO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USI”	USI Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange

By order of the Board of  
**USI Holdings Limited**  
**Au Hing Lun, Dennis**  
Executive Director & Company Secretary

Hong Kong, 12 January 2005

As at the date of this announcement, the board of directors of USI consists of 5 executive directors, namely, Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Ng Tak Wai, Frederick and Au Hing Lun, Dennis; 4 non-executive directors, namely, Cheng Wai Keung, Kwok Ping Luen, Raymond, Wong Yick Kam, Michael and Hong Pak Cheung, William; and 3 independent non-executive directors, namely, Simon Murray, Fang Hung, Kenneth and Yeung Kit Shing, Jackson.