

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement ("Memorandum") is made the 30th day of September 2005 between:

- (1) **USI HOLDINGS LIMITED**, a company incorporated in Bermuda whose principal place of business in Hong Kong is situate at 25th Floor, Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon Hong Kong ("**USI**"); and
- (2) **WINSOR PROPERTIES HOLDINGS LIMITED**, a company incorporated in Cayman Islands whose principal place of business is situate at 2nd Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong ("**Winsor**").

(collectively the "**Parties**" and each a "**Party**").

Whereas:

- (A) Winnion Limited (with company number 927510) ("**Winnion**") is a private limited company incorporated in Hong Kong and having its registered office at 25th Floor, Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon Hong Kong. As of the date hereof, Winnion has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each of which 1 ordinary share has been issued and paid up in full. 1 ordinary share in Winnion is as of the date hereof owned and held by USI Holdings (B.V.I.) Limited ("**USI-Sub**"), a wholly-owned subsidiary of USI.
- (B) On 20 July 2005 Winnion completed the acquisition of a commercial building now known as "Bank of East Asia Building" and situate at Nos. 314 – 324 Hennessy Road, Hong Kong (the "**Property**") at the tender purchase price of HK\$529 million (the "**Acquisition**"). The funding of the Acquisition and Winnion's other costs and expenses in relation to the Acquisition totaling about HK\$550 million is and, before completion of the sale and purchase or issue of shares in Winnion (as the case may be) referred to in Clause 2(A)(1) below, will be wholly provided by USI-Sub. Winnion has not carried on any other activities apart from the Acquisition but plans to refurbish the Property with a view to enhancing its value (the "**Refurbishment**"). The cost of the Refurbishment is currently estimated to be about HK\$150 million.
- (C) USI has agreed to procure the restructuring of the share capital of Winnion referred to in Clause 2(A)(1) below on and subject to the terms and conditions of this Memorandum such that the effective interests of USI and Winsor in Winnion shall be 70% and 30% respectively and Winnion shall refurbish the Property and hold the Property for investment purpose.
- (D) As the shares of USI and Winsor are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Exchange**") and the transactions contemplated under this Memorandum (the "**Transactions**") constitute connected transactions for both USI and Winsor under the Rules Governing the Listing of Securities on the Exchange (the "**Listing Rules**"), the Transactions are subject to approvals of the respective independent shareholders of USI and Winsor.
- (E) This Memorandum sets out the agreement between the Parties concerning their co-operation in the matters contemplated hereunder and shall regulate the rights and obligations of each Party *inter se*.

NOW IT IS HEREBY AGREED as follows:

1. CONDITION PRECEDENT

As a condition precedent of this Memorandum, each of USI and Winsor shall use its best endeavours to obtain its independent shareholders' approval of the Transactions after entering into this Memorandum. If either USI or Winsor is unable to obtain the requisite

approval from its independent shareholders on or before 30 November 2005 or such later date as the Parties may agree, this Memorandum shall become null and void and have no further effect as if the Parties had never entered into this Memorandum and in that event neither Party shall have any claim against the other Party.

2. EQUITY PROPORTIONS AND EFFECTIVE PARTICIPATION PROPORTIONS

- (A) It is agreed that upon the fulfilment of the condition precedent set out in Clause 1 hereof: -
- (1) USI shall forthwith procure the restructuring of the share capital of Winnion by (a) procuring Winnion to allot and issue new share(s) to Allied Effort Limited ("**Winsor-Sub**"), a wholly-owned subsidiary of Winsor, at par to be paid up in full in cash, or (b) procuring USI-Sub to transfer share(s) in Winnion held by it to Winsor-Sub at a consideration of HK\$1 per share, or (c) procuring a combination of (a) and (b) above, in each case such that the proportions of the equity interests of USI-Sub and Winsor-Sub in Winnion (the "**Equity Proportions**") as well as the proportions of the Parties' effective interests in the Property (the "**Effective Participation Proportions**") shall be 70% and 30% respectively; and
 - (2) Winsor shall cause Winsor-Sub to acquire from USI-Sub forthwith upon completion of the restructuring referred to in (1) above 30% of the amount then owed by Winnion to USI-Sub at cost and to reimburse USI-Sub for 30% of USI-Sub's cost of funding for the said amount.
- (B) USI agrees to procure that USI-Sub shall not dispose of its shares in Winnion without the prior written consent of Winsor. Winsor agrees to procure that Winsor-Sub shall not dispose of its shares in Winnion without the prior written consent of USI.
- (C) The Parties hereby agree that they shall when called upon to do so by the board of directors of Winnion (the "**Board**"), either directly or through their respective subsidiaries (including USI-Sub and Winsor-Sub), contribute such equity and/or provide such other financial support (including additional equity, shareholders' loans and/or guarantees to third parties and/or other forms of security in favour of third parties) to Winnion as the Board shall determine in the Effective Participation Proportions so as to enable Winnion to carry on its business (including the Refurbishment) and/or to enable Winnion to obtain from banks and/or other financial institutions the refinancing of the costs of and in relation to the Acquisition and/or the financing and/or refinancing of the costs of the Refurbishment and related costs and/or to finance the costs of the carrying on of Winnion's business (including the Refurbishment).

3. SHAREHOLDERS' AGREEMENT

- (A) Within 7 business days after the restructuring contemplated in Clause 2(A)(1) hereof shall have been completed, USI and Winsor shall, and shall respectively procure USI-Sub and Winsor-Sub to, enter into a shareholders' agreement (the "**Shareholders' Agreement**") in connection with their beneficial ownerships in the Property and the equity interests of USI-Sub and Winsor-Sub in Winnion to reflect the terms and conditions of this Memorandum and to regulate the rights and obligations of USI-Sub and Winsor-Sub as shareholders of Winnion. For the purposes of this Memorandum, a "**business day**" shall mean a weekday (other than a Saturday) on which banks are open for business in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**").
- (B) The Shareholders' Agreement shall provide, *inter alia*, that:
- (1) Winnion's sole business shall be the refurbishment of the Property and the holding of the Property for investment purpose;
 - (2) the directors of Winnion shall be appointed by USI-Sub and Winsor-Sub by

reference to the Equity Proportions;

- (3) the board of directors of Winnion shall be responsible for the overall management, guidance and direction of Winnion's business; and
- (4) equity and other financial support shall be given to Winnion in accordance with Clause 2(C) hereof.

4. CONFIDENTIALITY

- (A) No Party shall divulge or communicate to any person (unless required by law or by any governmental or regulatory authority including without limitation any recognised stock exchange, or with the prior written consent of the other Party) this Memorandum or any confidential knowledge or information or affairs of the other Party which it may receive or obtain as a result of entering into this Memorandum, and each Party shall procure its officers, employees, servants, agents or representatives to observe a similar obligation of confidence in favour of the other Party. Notwithstanding the foregoing restrictions, the Parties agree that a Party shall be permitted to disclose or announce the existence of this Memorandum and the fact of the co-operation between the Parties, but not the detailed terms contained in this Memorandum (unless required by law or by any governmental or regulatory authority including without limitation any recognised stock exchange, or with the prior written consent of the other Party).
- (B) This restriction shall continue to apply without limit in point of time but shall cease to apply to information or knowledge of one Party which may have come into the public domain through no fault of the other Party.

5. TERMINATION

- (A) In addition to the annulment provision set out in Clause 1 hereof, this Memorandum shall also be terminated in accordance with any of the following provisions: -
 - (1) upon the execution of the Shareholders' Agreement in accordance with the provisions set out in Clause 3 hereof;
 - (2) if a Party commits any breach of this Memorandum, and if the breach is capable of remedy but is not remedied within 3 business days of written notice by the non-defaulting Party;
 - (3) if a Party goes into voluntary liquidation (other than for the purpose of reconstruction or amalgamation);
 - (4) if any court order is made for the compulsory acquisition of a Party;
 - (5) if a Party shall have a receiver, judicial manager or similar officer appointed in respect of any material part of its assets;
 - (6) if a Party becomes insolvent or makes any arrangement or composition with its creditors or ceases or threatens to cease to carry on business or any substantial part thereof or is subject to a distress or execution or any other processes levied or enforced upon it; or
 - (7) upon the agreement of the Parties.
- (B) The termination of this Memorandum in accordance with Clause 5(A) hereof shall be without prejudice to any obligations or rights of any Party which have accrued prior to such termination.

6. COMMUNICATION

Any notice or other document to be given under this Memorandum and all other communications between the Parties with respect to this Memorandum shall be in writing and may be given or sent by hand, postal service or facsimile to the other Party at the address or facsimile transmission number set out herein (or such other address or facsimile transmission number as any Party may have given notice of to the other).

USI Fax No. : 2801 4302

Winsor Fax No. : 2810 1199

7. MISCELLANEOUS

- (A) This Memorandum may be executed in counterparts or duplicates each of which shall be an original, and such counterparts or duplicates shall together constitute but one and the same agreement.
- (B) This Memorandum shall be binding on and shall enure for the benefit of each Party's successor in title and permitted assign.
- (C) Except as expressly contemplated herein, a Party may not assign or transfer any of its rights or obligations under this Memorandum without the prior written consent of the other Party.
- (D) Unless otherwise provided in this Memorandum, no purported variation of this Memorandum shall be effective unless made in writing and signed by the Parties.
- (E) Any waiver of any breach of this Memorandum shall not be deemed to apply to any succeeding breach of the provision or of any other provision of this Memorandum. No failure to exercise and no delay in exercising on the part of a Party of any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Memorandum are cumulative and not exclusive of any rights or remedies otherwise provided by law.
- (F) Nothing in this Memorandum shall constitute a partnership or establish a relationship of principal and agent or any other relationship of a similar nature between the Parties.
- (G) The Parties shall bear the legal costs and expenses in their respective Effective Participation Proportions in connection with or arising out of the negotiation, preparation and execution of this Memorandum.
- (H) The various provisions of this Memorandum are severable and in the event that any one or more of the provisions contained in this Memorandum shall for any reason be held to be illegal, void, prohibited or unenforceable in any respect under the laws of Hong Kong, such illegality, voidness, prohibition or unenforceability shall not affect any other provision of this Memorandum which shall then be construed as if such illegal, void, prohibited or unenforceable provision or provisions had never been contained herein.
- (I) Unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing any gender include every gender and references to persons include bodies corporate or unincorporate.

8. GOVERNING LAW AND JURISDICTION

- (A) This Memorandum shall be governed by, and construed in accordance with, the laws of Hong Kong.

(B) Each Party irrevocably submits to the non-exclusive jurisdiction of the Hong Kong Courts.

IN WITNESS WHEREOF this Memorandum has been executed by the duly authorised representatives of the Parties on the date first above written.

Signed by Au Hing Lun, Dennis
for and on behalf of
USI HOLDINGS LIMITED
in the presence of:

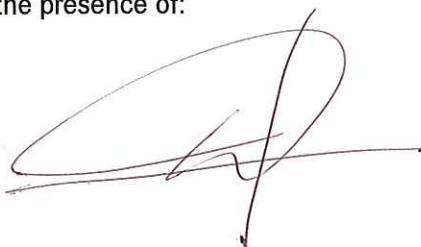
)
)
)
)



Tam Wai Ying, Tommy

Signed by **LAM WOON BUN**
for and on behalf of
WINSOR PROPERTIES HOLDINGS LIMITED
in the presence of:

)
)
)
)



Wong Hau Yan Helvin