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## **ORIENT OVERSEAS (INTERNATIONAL) LIMITED**

**東方海外(國際)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 316)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **SUMMARY**

As disclosed in the circular of the Company dated 14th September, 1996 to its shareholders and in the annual reports of the Company since the financial year ended 31st December, 1996, the Group has been engaged in certain transactions with the CMTL Group, the AIC Group and the AII Group for the provision of various services to the Group in Taiwan. CMTL, AII and AIC are companies controlled by Mr. Peng. Mr. Chee Chen Tung, the Chairman of the Board and Chief Executive Officer of the Company, is the brother-in-law of Mr. Peng. Mr. Peng's wife is the sister of the wife of Mr. Roger King, the Non-Executive Director of the Company, and Mr. Alan Lieh Sing Tung, the Executive Director of the Company, is the nephew of Mr. Peng and therefore CMTL, AII and AIC are connected persons of the Company as defined in the Listing Rules.

These existing connected transactions were subject to a waiver granted by the Stock Exchange in 1997 for an indefinite period. Under the amended Listing Rules which took effect on 31st March, 2004, any continuing connected transaction to be entered into by a listed issuer not falling under Rule 14A.33 of the Listing Rules (that is continuing connected transactions not exempt from the reporting, announcement and independent shareholders' approval requirements) shall be subject to, inter alia, written agreements for a term not exceeding three years and to set a maximum annual value for these continuing connected transactions in terms of monetary value. Where a waiver has been granted to a listed issuer for an indefinite period, the listed issuer is expected to ensure compliance with the amended Listing Rules as soon as practicable.

The Company has been exploring the feasibility of complying with the requirements of the amended Listing Rules. After lengthy discussions with CMTL, AIC and AII, the Board is pleased to announce that OTWL, an indirect wholly-owned subsidiary of the Company, has entered into the CMTL Master Agreement, the AIC Master Agreement and the AII Master Agreement with each of CMTL, AII and AIC respectively on 29th June, 2005 for a term of three years commencing on 1st January, 2005 for the provision of various services to OTWL in Taiwan.

The annual amounts of the transactions contemplated under the CMTL Master Agreement for each of the three financial years ending 31st December, 2005, 2006 and 2007 will not exceed USD24,000,000 (equivalent to approximately HKD187,200,000). The annual amounts of the transactions contemplated under the AIC Master Agreement for each of the three financial years ending 31st December, 2005, 2006 and 2007 will not exceed USD100,000 (equivalent to approximately HKD780,000). The annual amounts of the transactions contemplated under the AII Master Agreement for each of the three financial years ending 31st December, 2005, 2006 and 2007 will not exceed USD2,500,000 (equivalent to approximately HKD19,500,000).

In view of each Percentage Ratios of the aggregated annual caps under the Connected Transaction Agreements are not anticipated to exceed 2.5% on an annual basis for each of the financial years ending 31st December, 2005, 2006 and 2007, the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement. Details of the Continuing Connected Transactions under each of the CMTL Master Agreement, the AIC Master Agreement and the AII Master Agreement will be included in the Company's annual reports and accounts in accordance with the Listing Rules.

## **INTRODUCTION**

As disclosed in the circular of the Company dated 14th September, 1996 to its shareholder and in the annual reports of the Company since the financial year ended 31st December, 1996, the Group has been engaged in certain transactions with the CMTL Group, the AIC Group and the AII Group for the provision of various services to the Group in Taiwan. AIC and CMTL are public companies whose shares are listed on the Taiwan Stock Exchange.

CMTL, AII and AIC are companies controlled by Mr. Peng. Mr. Chee Chen Tung, the Chairman of the Board and Chief Executive Officer of the Company, is the brother-in-law of Mr. Peng. Mr. Peng's wife is the sister of the wife of Mr. Roger King, the Non-Executive Director of the Company, and Mr. Alan Lieh Sing Tung, the Executive Director of the Company, is the nephew of Mr. Peng and therefore CMTL, AIC and AII are connected persons of the Company as defined in the Listing Rules. These existing connected transactions were subject to a waiver granted by the Stock Exchange on 11th March, 1997 for an indefinite period (the "Waiver"). The Company has been making annual disclosures of its connected transactions with the CMTL Group, the AIC Group and the AII Group pursuant to Rule 14.25(1) of the Listing Rules (prior to their being amended on 31st March, 2004) and the aggregated annual value of these connected transactions were below the cap imposed under the Waiver, being 6 per cent. of the consolidated net tangible assets of the Company from the financial year ended 31st December, 1996 to the financial year ended 31st December, 2004.

Under the amended Listing Rules which took effect on 31st March, 2004, such existing connected transactions fall within the definition of “continuing connected transactions” provided in Rule 14A.14 of the Listing Rules. The amended Listing Rules require any continuing connected transaction to be entered into by a listed issuer not falling under Rule 14A.33 of the Listing Rules (that is continuing connected transactions not exempt from the reporting, announcement and independent shareholders’ approval requirements) to be subject to written agreements for a term not exceeding three years and to set a maximum annual value in terms of monetary value. Where a waiver has been granted to a listed issuer for an indefinite period, the listed issuer is expected to ensure compliance with the amended Listing Rules as soon as practicable.

The Company has been exploring the feasibility of complying with the above requirements of the amended Listing Rules. After lengthy discussions with CMTL, AIC and AII, the Board is pleased to announce that OTWL, an indirect wholly-owned subsidiary of the Company, has entered into the CMTL Master Agreement, the AIC Master Agreement and the AII Master Agreement with each of CMTL, AII and AIC respectively on 29th June, 2005 for a term of three years commencing on 1st January, 2005 for the provision of various services to OTWL. Apart from the requirements under Rules 14A.35(1) and (2) of the Listing Rules where the term of the relevant agreement should not be exceeding 3 years and to set an annual monetary cap in the Continuing Connected Agreements, the commercial terms and conditions of the Continuing Connected Transactions are the same as those transactions entered into by the Group before the date of the Connected Transaction Agreements.

## **MASTER AGREEMENTS GOVERNING THE CONTINUING CONNECTED TRANSACTIONS**

### **1. CMTL Master Agreement**

Date: 29th June, 2005

Parties: CMTL and OTWL, an indirect wholly-owned subsidiary of the Company

Scope of Service: Pursuant to the CMTL Master Agreement, CMTL agreed to provide and to procure members of the CMTL Group to provide various services being (i) trucking service, (ii) leasing of equipment (including chassis and tractors), (iii) maintenance and repair services for generator sets and chassis, (iv) freight station depot and container storage facilities, (v) container yard and gate services and (vi) crew manning services to OTWL in Taiwan.

Term: The CMTL Master Agreement is for a period of three years commencing on 1st January, 2005, which is renewable for successive periods of three years upon mutual agreement of the parties. The Company will ensure compliance with the Listing Rules before the renewal of the CMTL Agreement.

**Consideration:** CMTL and OTWL have entered and will enter into service contracts setting out details of the scope and fees relating to the transactions between the parties, which will be determined at arm's length negotiations between CMTL and OTWL with reference to the prevalent market prices and on terms no less favourable to the Group than those available from independent third parties.

**Estimated Annual Caps:**

CMTL and OTWL agreed to set a maximum annual value for the services of the CMTL Group to be rendered to OTWL for each of the financial years ending 31st December, 2005, 2006 and 2007 at USD24,000,000 (equivalent to approximately HKD187,200,000):

For the purpose of Rule 14A.35(2) of the Listing Rules, the above annual caps for the continuing connected transactions are determined with reference to estimated business growth, inflation and historical amounts paid by OTWL to CMTL for the three financial years ended 31st December, 2002, 2003 and 2004 of USD14,114,000 (equivalent to approximately HKD110,089,200), USD13,360,000 (equivalent to approximately HKD104,208,000) and USD17,876,000 (equivalent to approximately HKD139,432,800) respectively and for the five months ended 31st May, 2005 of approximately USD8,242,000 (equivalent to approximately HKD64,287,600). The flat annual cap for the financial years ending 31st December, 2005, 2006 and 2007 as set out in the CMTL Master Agreement is based on the highest likely annual transaction amount anticipated for the coming three years.

## **2. AIC Master Agreement**

**Date:** 29th June, 2005

**Parties:** AIC and OTWL, an indirect wholly owned subsidiary of the Company

**Scope of Service:** Pursuant to the AIC Master Agreement AIC agreed to provide and to procure members of the AIC Group to provide various services being (i) freight station depot and container storage facilities, (ii) container inspection services, (iii) sale of containers and (iv) computer maintenance services for gantry cranes to OTWL in Taiwan.

**Term:** The AIC Master Agreement is for a period of three years commencing on 1st January, 2005, which is renewable for successive periods of three years upon mutual agreement of the parties. The Company will ensure compliance with the Listing Rules before the renewal of the AIC Master Agreement.

**Consideration:** AIC and OTWL have entered and will enter into service contracts setting out details of the scope and fees relating to the transactions between the parties, which will be determined at arm's length negotiations between AIC and OTWL with reference to the prevalent market prices and on terms no less favourable to the Group than those available from independent third parties.

Estimated Annual Caps:

AIC and OTWL agreed to set a maximum annual value for the services of the AIC Group to be rendered to OTWL for each of the financial years ending 31st December, 2005, 2006 and 2007 at USD100,000 (equivalent to approximately HKD780,000):

For the purpose of Rule 14A.35(2) of the Listing Rules, the above annual caps for the continuing connected transactions are determined with reference to estimated business growth, inflation and historical amounts paid by OTWL to AIC for the three financial years ended 31st December, 2002, 2003 and 2004 of USD838,000 (equivalent to approximately HKD6,536,400), USD1,231,000 (equivalent to approximately HKD9,601,800, USD769,000 (equivalent to approximately HKD5,998,200) respectively and for the five months ended 31st May, 2005 of approximately USD24,000 (equivalent to approximately HKD187,200). The Group ceased to engage the AIC Group to provide depot services to OTWL, which results in the decrease in the annual cap of the continuing connected transactions between OTWL and AIC in 2005.

### **3. AII Master Agreement**

Date: 29th June, 2005

Parties: AII and OTWL, an indirect wholly-owned subsidiary of the Company

Scope of Service: Pursuant to the AII Master Agreement AII agreed to provide and to procure members of the AII Group to provide various services being (i) provision of office premises and office equipment and (ii) freight station depot/container storage facilities to OTWL in Taiwan.

Term: The AII Master Agreement is for a period of three years commencing on 1st January, 2005, which is renewable for successive periods of three years upon mutual agreement of the parties. The Company will ensure compliance with the Listing Rules before the renewal of the AII Master Agreement.

Consideration: AII and OTWL have entered and will enter into service contracts setting out details of the scope and fees relating to the transactions between the parties, which will be determined at arm's length negotiations between AII and OTWL with reference to the prevalent market prices and on terms no less favourable to the Group than those available from independent third parties.

Estimated Annual Caps:

AII and OTWL agreed to set a maximum annual value for the services of the AII Group to be rendered to OTWL for the financial years ending 31st December, 2005, 2006 and 2007 at USD 2,500,000 (equivalent to approximately HKD19,500,000):

For the purpose of Rule 14A.35(2) of the Listing Rules, the above annual caps for the continuing connected transactions are determined by reference to estimated business growth, inflation and historical amounts paid by OTWL to AII for each of the three financial years ended 31st December, 2002, 2003 and 2004 of USD1,765,000 (equivalent to approximately HKD13,767,000), USD1,726,000 (equivalent to approximately HKD13,462,800), USD1,932,000 (equivalent to approximately HKD15,069,600) and for the five months ended 31st May, 2005 of approximately USD877,000 (equivalent to approximately HKD6,840,600). The flat annual cap for the financial years ending 31st December, 2005, 2006 and 2007 as set out in the All Master Agreement is based on the highest likely annual transaction amount anticipated for the coming three years.

## **CONNECTED TRANSACTIONS**

Since CMTL, AII and AIC are connected persons of the Company, the transactions contemplated in each of the CMTL Master Agreement, the AIC Master Agreement and the AII Master Agreement constitute continuing connected transactions of the Company under the Listing Rules. The Continuing Connected Transactions provide important support over the years to the Group in connection with its Taiwan shipping operations. The Board (including the independent non-executive directors) considers the entering into each of the Connected Transaction Agreements and the continuing connected transactions contemplated thereunder to be in the ordinary course of business of the Group and that the terms of each of the Connected Transaction Agreements (including the annual caps contained in each of the Connected Transaction Agreements) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

It is currently estimated that the aggregated payable amounts for the Continuing Connected Transactions with the CMTL Group, the AIC Group and the AII Group, on an annual basis, for the three financial years ending 31st December, 2005, 2006 and 2007 will exceed 0.1% but will not exceed the 2.5% thresholds of each of the Percentage Ratios tests. Pursuant to Rule 14A.34(1), the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement. Details of the Continuing Connected Transactions under each of the Connected Transaction Agreements will be included in the Company's annual reports and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules during their respective terms.

The independent non-executive directors and the auditors of the Company will review and confirm their respective views on the Continuing Connected Transactions in the annual report of the Company during the respective terms of the Connected Transaction Agreements in accordance with Rules 14A.37 and 14A.38 of the Listing Rules. The Company will comply with Rules 14A.39 and 14A.40 in relation to the annual review of the Connected Transaction Agreements during their respective terms.

The Company will re-comply with Rules 14A.35(3) and (4) (as applicable) of the Listing Rules, as required under Rule 14A.36 of the Listing Rules, if the relevant estimated annual cap for any of the Connected Transaction Agreements is exceeded, such agreement is renewed, or there is a material change to the terms of any such agreement.

## **BUSINESS OF THE GROUP, THE CMTL GROUP, THE AII GROUP AND THE AIC GROUP**

The Group is primarily engaged in: (i) the provision of container transport and logistic services; (ii) the operation, management and handling of containers at container terminals; and (iii) the development and investment in real property. The principal business activity of OTWL is liner agency.

According to the information provided by CMTL, AIC and AII, the principal business activities of the CMTL Group, the AIC Group and the AII Group are (i) inland container trucking operation, inland container depot operation and ship management; (ii) container maintenance and repair and computer research and development; and (iii) inland container depot operation and real estate management, respectively.

### **DEFINITIONS**

“AIC”	Associated Industries China Inc., a company which Mr. Peng is interested in 54.96% of its issued share capital, whose shares are listed on the Taiwan Stock Exchange
“AIC Group”	AIC and its subsidiaries
“AIC Master Agreement”	the agreement entered into between AIC and OTWL on 29th June, 2005
“AII”	Associated International Inc., a company which Mr. Peng is interested in 94.96% of its issued share capital
“AII Group”	AII and its subsidiaries
“AII Master Agreement”	the agreement entered into between AII and OTWL on 29th June, 2005
“Board”	the board of directors of the Company
“Company”	Orient Overseas (International) Limited
“CMTL”	Chinese Maritime Transport Ltd., a company which Mr. Peng is interested in 59.60% of its issued share capital, whose shares are listed on the Taiwan Stock Exchange
“CMTL Group”	CMTL and its subsidiaries
“CMTL Master Agreement”	the agreement entered into between CMTL and OTWL on 29th June, 2005
“Connected Transaction Agreements”	the CMTL Master Agreement, the AIC Master Agreement and the AII Master Agreement

“Continuing Connected Transactions”	transactions of the Group contemplated under the Connected Transaction Agreements constitute continuing connected transactions which are subject to the reporting and announcement requirements and are exempt from the independent shareholders’ approval requirement under the Listing Rules
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Peng”	Mr. Yin-Kang John Peng. Mr. Chee Chen Tung, the Chairman of the Board and Chief Executive Officer of the Company, is the brother-in-law of Mr. Peng. Mr. Peng’s wife is the sister of the wife of Mr. Roger King, the Non-Executive Director of the Company, and Mr. Alan Lieh Sing Tung, the Executive Director of the Company is the nephew of Mr. Peng
“OTWL”	OOCL (Taiwan) Co., Ltd., an indirect wholly-owned subsidiary of the Company
“Percentage Ratios”	the percentage ratios, other than the profit ratio, as defined in Rule 14.07 of the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawfully currency of the United States of America

Exchange rates used in this announcement are HKD7.80 to USD1.00.

By Order of the Board  
**Lammy Chee Fun Lee**  
*Secretary*

Hong Kong, 29th June, 2005

*As at the date of this announcement the Executive Directors of the Company are Messrs. Chee Chen TUNG, Tsann Rong CHANG, Nicholas David SIMS, Philip Yiu Wah CHOW and Alan Lieh Sing TUNG; the Non-Executive Director is Mr. Roger KING; and the Independent Non-Executive Directors are Mr. Simon MURRAY, Dr. Victor Kwok King FUNG and Professor Richard Yue Chim WONG.*

\* *For identification purpose only*

website: <http://www.ooilgroup.com>