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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF LAND AND THE FORMATION OF A PRC JOINT VENTURE COMPANY FOR THE DEVELOPMENT OF LAND IN SHANGHAI

The Board is pleased to announce that on 28th December 2005, Senning, a wholly owned subsidiary of the Company, and SNC had entered into the Joint Venture Agreement to establish a sino-foreign equity joint venture company in Shanghai for the joint ownership and development of the Land.

On 18th October 2005, Senning and SNC had successfully bid for the land use right of the Land jointly on a 95/5 several basis for a period of fifty years in a public auction held on 18th October 2005 for the Aggregate Consideration of RMB1,480,000,000 (approximately HK\$1,423,070,000) of which the relevant government authorities of Shanghai based on state policy had apportioned, as to RMB444,000,000 (approximately HK\$426,920,000) as Land Cost payable by the JV Partners to Party A on a 95/5 several basis pursuant to the Land Contract entered into between the JV Partners and Party A on 18th November 2005 and RMB1,036,000,000 (approximately HK\$996,150,000) as Resettlement Compensation payable by the JV Partners to Party B on a 95/5 several basis pursuant to the Land Compensation Contract entered into between the JV Partners and Party B on 16th January 2006.

The Aggregate Consideration for the Land to be contributed by Senning amounts to 95% of the Land Cost and Resettlement Compensation, is made or to be made by Senning in cash. The total capital commitment in respect of the future costs for the development of the Land has not been confirmed as at the date of this announcement.

The Acquisition of the Land by Senning and the formation of the JV Company constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Acquisition of Land and the joint venture will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

On 18th October 2005, Senning and SNC had successfully bid for the Land jointly on a 95/5 several basis for a period of fifty years for the Aggregate Consideration of RMB1,480,000,000 (approximately HK\$1,423,070,000) at a public auction held in Changning, Shanghai, the PRC. The relevant government authorities of Shanghai based on state policy had apportioned the Aggregate Consideration payable by the JV Partners for the Acquisition of the Land as Land Cost and Resettlement Compensation payable to the relevant government authorities of the Changning District, Shanghai pursuant to the Land Contract and the Land Compensation Contract entered into by the JV Partners with Party A and Party B respectively.

Senning and SNC have entered into the Joint Venture Agreement to form a sino-foreign equity joint venture company in Shanghai, the PRC for the joint ownership and development of the Land.

Details of the Land Contract, the Land Compensation Contract and the Joint Venture Agreement are set out below:-

I. AGREEMENTS FOR ACQUISITION

1. Land Contract

Date:	18th November 2005
Parties:	(i) Party A as vendor; and (ii) JV Partners as purchasers
	The Directors confirm that to their best knowledge, information and belief after having made all reasonable enquiries:-
	— Party A and its ultimate beneficial owner, Shanghai Municipal government are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules); and
	— SNC and its ultimate beneficial owners, 上海市長寧區國有資產管理辦公室 (Shanghai Changning District Government State Owned Assets Management Office), 上海長寧投資公司 (Shanghai Changning Investment Company), 上海長寧建設資產經營有限公司 (Shanghai Changning Construction Assets Management Company Limited), 上海鑫達實業總公司 (Shanghai Xinda Industrial Company), are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).
Particulars of Land:	The Land situated at Plot 32/8, 88 Street, Changning District, Shanghai, the PRC, with a maximum gross floor area of approximately 242,803 square meters.
Consideration and payment:	RMB444,000,000 (approximately HK\$426,920,000) being the Land Cost for the acquisition of the Land paid by the JV Partners in cash to Party A on a 95/5 several basis (Senning's portion of 95% is RMB421,800,000 (approximately HK\$405,570,000) in two installments: (i) A deposit of RMB200,000,000 (approximately HK\$192,300,000) was paid to Party A on 4th November 2005; and (ii) RMB244,000,000 (approximately HK\$234,610,000) was paid to Party A on 17th January 2006.
Principle terms of the Land Contract:	The JV Partners have obtained a 50 years' land use right of the Land. Either party may claim damages from the other party for breach of the Land Contract. The Land Contract is subject to the execution of the Land Compensation Contract.

2. Land Compensation Contract

Date:	16th January 2006
Parties:	(i) Party B; and (ii) JV Partners
	The Directors confirm that to their best knowledge, information and belief after having made all reasonable enquiries, Party B and its ultimate beneficial owners, 上海市長寧區國有資產管理辦公室 (Shanghai Municipal Changning District State Owned Assets Management Department) are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).
Consideration and payment:	RMB1,036,000,000 (approximately HK\$996,150,000) being the reimbursement by the JV Partners to Party B on a 95/5 several basis (Senning's portion of 95% is RMB984,200,000 (approximately HK\$946,340,000)) in cash in five installments of the Resettlement Compensation paid or payable by Party B in respect of the resettlement of the residents of the Land: (i) 1st installment RMB155,400,000 (approximately HK\$149,420,000) was paid to Party B on 25th January 2006; (ii) 2nd installment RMB362,600,000 (approximately HK\$348,650,000) will be paid to Party B before 28th February 2006; (iii) 3rd installment RMB207,200,000 (approximately HK\$199,230,000) will be paid to Party B before 31st May 2006; (iv) 4th installment RMB207,200,000 (approximately HK\$199,230,000) will be paid to Party B before 31st July 2006; and

(v) 5th installment

RMB103,600,000 (approximately HK\$99,610,000) will be paid to Party B before 10th September 2006.

Principal terms of the Land Compensation Contract: Party B is responsible for clearing and delivering the Land with no residents to the JV Partners in accordance with the time stipulated in the Land Compensation Contract, failing which Party B shall pay liquidated damages to the JV Partners.

The JV Partners shall pay liquidated damages to Party B if the JV Partners fail to pay the Resettlement Compensation to Party B in accordance with the terms stipulated in the Land Compensation Contract.

The Land Compensation Contract is unconditional.

3. Others

Completion of the Acquisition is expected to take place before 30th September 2006. The land use right certificate will be issued to JV Company.

II. JOINT VENTURE AGREEMENT

Date of Agreement: 28th December 2005

Parties:

- (i) Senning ; and
(ii) SNC

1. Scope of Business

The scope of business of the JV Company shall include development, construction, operation and management of the Land situated at Plot 32/8, 88 Street, Changning District, Shanghai, the PRC.

2. Total Investment and Registered Capital

The total investment amount and registered capital of the JV Company shall be US\$240,000,000 (approximately HK\$1,872,000,000) and US\$80,000,000 (approximately HK\$624,000,000) respectively and shall be contributed as to 95% by Senning (US\$228,000,000 (approximately HK\$1,778,400,000), and US\$76,000,000 (approximately HK\$592,800,000) respectively) and as to 5% by SNC (US\$12,000,000 (approximately US\$93,600,000); and US\$4,000,000 (approximately HK\$31,200,000) respectively).

The JV Partners is contributing the registered capital in the form of cash on the earlier of their respective obligation to pay under the Land Contract and Land Compensation Contract or within ninety days after the issuance of the business licence to the JV Company, for upto 15% of its registered capital and balance within three years after issuance of the business licence, based on actual requirement and progress of the development of the Land. Any amount contributed by Senning into the JV Company in excess of, its portion of the registered share capital of the JV Company, of US\$76,000,000 (approximately HK\$592,800,000) will be classified as shareholders' loan. Currently, the Aggregate Consideration, 95% of which is around US\$173,400,000 (approximately HK\$1,352,520,000), the shareholders' loan portion from Senning to JV Company will be US\$97,400,000 (approximately HK\$759,720,000).

3. Accounting Treatment

JV Company will be a non wholly owned subsidiary of the Group and its account will be consolidated into the accounts of the Group in accordance with Hong Kong Financial Reporting Standards.

Prior to the issuance of the business licence to the JV Company, the payments of Land Cost and Resettlement Compensation will be disclosed under "prepayments" on the balance sheet in the consolidated financial statements of the Group.

After the issuance of the business licence to the JV Company, in the books of Senning, the payments of the Land Cost and Resettlement Compensation to the extent exceeding US\$76,000,000 (approximately HK\$592,800,000) will be converted to shareholder's loan, on application to SAFE for foreign debts registration for Senning's contribution. In the consolidated financial statements of the Group, the Land Cost will be disclosed under the "prepayments of lease premiums". The Resettlement Compensation will be included as part of the development costs and apportioned to respective assets categories based on the development design as "properties under development and for sale", for units identified for sale; and "investment properties" for units held for lease (as the case may be).

4. Profit Sharing

The after-tax profits or loss of the JV Company shall be borne on a 95/5 several basis in proportion to their respective contribution to the registered capital by Senning and SNC.

5. Board Composition

The board of directors of the JV Company shall consist of five directors, of whom four will be appointed by Senning and one will be appointed by SNC.

6. Other Terms

Joint Venture Agreement is subject to issuance of business licence to JV Company. In the event the JV Company is not issued with the business licence, the JV Partners will have to discuss and mutually agree with Party A and Party B on the Acquisition of Land. The business licence is anticipated to be issued on or before 30th September 2006.

III. FUNDING REQUIREMENTS OF SENNING FOR THE ACQUISITION AND DEVELOPMENT OF THE LAND

The difference between the total capital required (inclusive of the Aggregate Consideration) for the development of the Land (inclusive of the total investment and the registered capital) and the registered share capital to be contributed by Senning shall be funded by internal resources and/or external bank borrowings. The funding requirement is not expected to have any material impact on the Group.

IV. CONTRACT TERMS

Save for the Aggregate Consideration which was determined through a public auction; the apportionment of the Aggregate Consideration as to the Land Cost and the Resettlement Compensation by the relevant government authorities based on state policy; and the Land Cost and Resettlement Compensation once determined were informed to the JV Company and included as a term respectively in the Land Contract and the Land Compensation Contract. All other terms of the Land Contract, the Land Compensation Contract and the Joint Venture Agreement were determined on an arm's length basis. The payment obligation of the JV Partners under the Land Contract and Land Compensation Contract are on several basis. No independent valuation was conducted on the Land. The Directors, including the independent non-executive Directors of the Company, consider that the Aggregate Consideration quoted by the JV Partners for the bid and the terms of the Acquisition and respectively the Land Cost and Resettlement Compensation are on normal commercial terms, and are made in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. REASONS FOR THE ACQUISITION OF LAND AND FORMATION OF THE JV COMPANY

The Directors consider the addition of the Land to the landbank and the formation of the JV Company for development of the Land into commercial properties is consistent with one of the core business strategies for the Group.

The Directors (including the independent non-executive Directors of the Company) consider that the Land Contract, Land Compensation Contract, including the Aggregate Consideration offered by the JV Partners, and the Joint Venture Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VI. GENERAL

The principal business of the Group is international transportation and logistics and property development and investment.

Subject to the final development design and market conditions, the preliminary development plan for the Land is for offices, serviced apartments, retail units and a hotel. The offices and serviced apartments are currently planned for sale, and retail units and hotel are for rental. Construction is currently scheduled to commence in 2007.

The Acquisition of Land and the formation of the JV Company constitutes discloseable transactions of the Company under the Listing Rules as the Aggregate Consideration and total investment amount paid or payable by Senning exceeds 5% but not more than 25% of the applicable size tests under Chapter 14 of the Listing Rules. A circular containing further details of the Acquisition of Land and joint venture will be despatched to the Shareholders, for their information, as soon as practicable.

DEFINITIONS

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

"Acquisition"	acquisition of the land use right in respect of the Land for fifty years by the JV Partners from Party A pursuant to the Land Contract and the resettlement pursuant to the Land Compensation Contract by the JV Partners with Party B;
"Aggregate Consideration"	total consideration of RMB1,480,000,000 (approximately HK\$1,423,070,000) of which RMB444,000,000 (approximately HK\$426,900,000) is the Land Cost payable by the JV Partners to Party A and RMB1,036,000,000 (approximately HK\$996,150,000) is reimbursement of the Resettlement Compensation by the JV Partners to Party B;
"Board"	the board of directors of the Company;
"Company"	Orient Overseas (International) Limited;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong Dollars, the lawful currency of The Hong Kong Special Administrative Region of PRC;
"Joint Venture Agreement"	the sino-foreign equity joint venture agreement dated 28th December 2005 entered into between Senning and SNC in respect of the formation of the JV Company;
"JV Company"	a sino-foreign equity joint venture company to be established in Shanghai, the PRC and to be held by Senning and SNC on a 95/5 several basis;
"JV Partners"	Senning and SNC;
"Land"	a piece of land of approximately 60,853 square meters located at Plot 32/8, 88 Street, Changning District, Shanghai, the PRC, with a maximum gross floor area of approximately 242,803 square meters, for commercial purposes, having a tenor of land use right of fifty years commencing from 18th November 2005;
"Land Compensation Contract"	the land compensation contract dated 16th January 2006 between Party B and the JV Partners in respect of the reimbursement of the Resettlement Compensation by the JV Partners to Party B;
"Land Contract"	the land contract dated 18th November 2005 between Party A and the JV Partners in relation to the Acquisition;
"Land Cost"	RMB444,000,000 (approximately HK\$426,920,000) being cost payable by the JV Partners to Party A for Acquisition of the Land;
"Listing Rules"	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
"Party A"	上海市長寧區房屋土地管理局 (Shanghai Municipal Changning District Housing and Land Administration Bureau), a department under Shanghai Municipal Government, responsible for, inter alia, the planning, administration, management and the grant of land use right of land resources in Changning, Shanghai, the PRC;
"Party B"	上海市長寧區土地資源儲備中心 (Shanghai Municipal Changning District Land Resources Reserve Centre), a company under 上海市長寧區國有資產管理辦公室 (Shanghai Municipal Changning District State Owned Assets Management Department), responsible for, inter alia, the acquisition and management of land resources in Changning, Shanghai, the PRC and building up land reserves;
"PRC"	The People's Republic of China;
"Resettlement Compensation"	RMB1,036,000,000 (approximately HK\$996,150,000), being the resettlement cost paid or payable by Party B to all the residents residing on the Land;
"RMB"	Renminbi, the lawful currency of the PRC;
"SAFE"	The State Administration of Foreign Exchange, the PRC;
"Senning"	Senning Property Ltd., a limited liability company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company;
"SNC"	上海新長寧(集團)有限公司 (Shanghai New Changning (Group) Limited), a limited liability company established under the laws of the PRC, which is a state owned real estate developing company;
"Shareholders"	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	per cent.

The exchange rate used for reference purpose in this announcement is HK\$1.00 to RMB1.04 and US\$1.00 to HK\$7.8.

By order of the Board
Lammy Chee Fun LEE
Company Secretary

Hong Kong, 6th February 2006

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

* For identification purpose only
website: <http://www.ooilgroup.com>