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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**

On 21 December 2006, the Group entered into a financing structure to provide 80% financing for the acquisition of the Newbuilds, involving a sale and leaseback financing structure in relation to eight of the Group's existing Vessels with a total value of approximately US\$480 million (approximately HK\$3.74 billion), as determined by an independent third party valuer. To implement the structure, the Group has entered into certain agreements, including the Joint Venture Agreement, the OOIL Loan Agreements, the Bareboat Charter, the OOIL Option Guarantee and the OOIL Charter Guarantees. The sale and leaseback financing structure has been entered into in the ordinary and usual course of the business of the Group, and allows the Group to adopt a tax efficient financing structure in accordance with applicable laws and regulations.

The implementation of the structure involved the Group's entry into certain agreements including the Joint Venture Agreement for the establishment of the Joint Venture, the Company's grant of the OOIL Loans, the Bareboat Charter, the OOIL Option Guarantee and the OOIL Charter Guarantees, together constitute a discloseable transaction for the Company under the Listing Rules.

### **INTRODUCTION**

On 21 December 2006, the Group entered into a financing structure to provide 80% financing for the acquisition of the Newbuilds, involving a sale and leaseback financing structure in relation to eight of the Group's existing Vessels with a total value of approximately US\$480 million (approximately HK\$3.74 billion), as determined by an independent third party valuer. To implement the structure, the Group has entered into certain agreements, including the Joint Venture Agreement, the OOIL Loan Agreements, the Bareboat Charter, and the OOIL Option Guarantee and the OOIL Charter Guarantees. The sale and leaseback financing structure has been entered into in the ordinary and usual course of the business of the Group, and allows the Group to adopt a tax efficient financing structure in accordance with applicable laws and regulations.

The Company published an announcement relating to the acquisition of the Newbuilds on 20 October 2006.

## **SUMMARY OF THE SALE AND LEASEBACK FINANCING STRUCTURE**

To implement the sale and leaseback financing structure, Strong Team, a wholly-owned subsidiary of the Company, and HSH have established a Joint Venture held as to 90% and 10% by Strong Team and HSH respectively. The Group will consolidate the results and the financial position of the Joint Venture in the Group's consolidated financial statements. The Joint Venture, in turn, has established eight separate wholly-owned subsidiaries in Luxembourg, the SPCs, and a managing company to act as manager of the SPCs. Each of the SPCs has purchased one of the Vessels from a member of the Group, and then immediately leased the Vessel back to the Lessee pursuant to the Bareboat Charter.

Pursuant to the Joint Venture Agreement, Strong Team has agreed to contribute US\$151,875 (approximately HK\$1.18 million) towards the share capital of the Joint Venture. In addition, Strong Team and HSH have agreed to invest US\$81 million (approximately HK\$631.8 million) and US\$312 million (approximately HK\$2.43 billion) respectively in the Joint Venture, and in return, be granted proportionate PPRs by, the Joint Venture. In addition, Strong Team has also agreed to provide the OOIL Loans amounting to an aggregate of US\$15 million (approximately HK\$117 million) to the SPCs. Other investors have agreed to provide Investors' Loans in the aggregate amount of US\$72 million (approximately HK\$561.6 million) to the SPCs.

The Joint Venture has granted Senior Loans to the SPCs. The SPCs, with funding from the Senior Loans, the OOIL Loans and the Investors' Loans, have acquired the Vessels and immediately leased the Vessels back to the Lessee. The Lessee will, pursuant to the Bareboat Charter, make regular rental payments to the SPCs, which include amounts equal to the principal and interest payments under the Senior Loans, the Investors' Loans and other costs. The Company has also entered into the OOIL Charter Guarantees for the Lessee's repayment obligations towards the SPCs pursuant to the Bareboat Charter. Each of the Joint Venture and the other investors is entitled to participate in the profits of the SPCs in respect of their respective contribution to the total value of the Vessels.

In consideration of Strong Team entering into the Joint Venture Agreement, HSH has entered into option agreements with Strong Team, pursuant to which HSH has granted to Strong Team options to acquire the PPRs and the shares in the Joint Venture held by HSH - the options are exercisable on 2 January 2010 and on each rental payment date thereafter pursuant to the Bareboat Charter. The Company has granted the OOIL Option Guarantee in favour of HSH in respect of Strong Team's payment obligations pursuant to such option agreements.

The implementation of the structure involved the Group's entry into certain agreements including the Joint Venture Agreement, the OOIL Loan Agreements, the Bareboat Charter, the OOIL Option Guarantee and the OOIL Charter Guarantees. The terms of certain of these agreements are set out in more detail below.

## **SUMMARY OF THE TERMS OF THE JOINT VENTURE AGREEMENT**

### **The Date**

21 December 2006

### **The Parties**

Strong Team

HSH

The Joint Venture

### **Total Value of the Vessels**

Approximately US\$480 million (approximately HK\$3.74 billion)

### **Principal terms of the Joint Venture Agreement**

- The Joint Venture has a share capital of US\$168,750 divided into 3,375 ordinary shares of US\$5 each, of which all such shares have been issued and are fully paid and are beneficially owned by HSH and 30,375 ordinary shares of US\$5 each, of which all such shares have been issued and are fully paid and are beneficially owned by Strong Team.
- The Joint Venture Agreement is conditional upon, among other things, the entering into of the transaction agreements, including agreements relating to the Senior Loans.
- The Joint Venture owns 100% of the issued share capital of each of the SPCs.
- The Joint Venture's business is, among others, the financing of the Vessels with a total value of not less than US\$480 million (approximately HK\$3.74 billion) where each such Vessel is to be acquired by an SPC and to enter into or procure the entering into of the Bareboat Charter and the financing and leasing of the Newbuilds.
- The Joint Venture and/or the SPCs and the manager of the SPCs shall be liquidated upon completion of the sale and purchase and financing and leasing of the Newbuilds.

## **SUMMARY OF THE TERMS OF THE OOIL LOAN AGREEMENTS**

### **The Date**

21 December 2006

### **The Parties**

Strong Team

Each of the SPCs

### **Total Value of the OOIL Loans**

Approximately US\$15 million (approximately HK\$117 million)

### **Principal terms of the OOIL Loan Agreements**

Strong Team agreed to lend to the SPCs loans of an aggregate amount of US\$15 million (approximately HK\$117 million), on an unsecured basis and subordinated to the Senior Loans, to finance their respective acquisition of the Vessels. No interest is chargeable on the OOIL Loans, but the SPCs granted options exercisable at anytime on or after 2 January 2010, by Strong Team to purchase or procure the sale of the Vessels on or after January 2010. The OOIL Loans shall be repaid by each of the SPCs on the earlier of either (i) 15 January 2015 or (ii) the date on which the above option is exercised.

### **SUMMARY OF THE TERMS OF THE BAREBOAT CHARTER**

#### **The Date**

21 December 2006

#### **The Parties**

Each of the SPCs

The Lessee

#### **Principal terms of the Bareboat Charter**

Each of the SPCs agreed to let and the Lessee agreed to hire their respective Vessels for a term of eight years ending 15 January 2015. During the term, the Lessee shall pay to each of the SPCs, at half year intervals, rental payments, equal to, amongst other things the principal and interest payments pursuant to the Senior Loans, the Investors' Loans and other costs. The terms of the Bareboat Charter incorporate terms of the "Barecon 89" Standard Bareboat Charter.

### **SUMMARY OF THE TERMS OF THE OOIL OPTION GUARANTEE**

#### **The Date**

21 December 2006

#### **The Parties**

The Company

HSH

### **Principal terms of the OOIL Option Guarantee**

HSH and Strong Team entered into a share option agreement dated 21 December 2006 whereby HSH granted an option to Strong Team to acquire the shares in the Joint Venture held by HSH. Strong Team has also entered into option agreements for HSH's PPRs in each of the Vessels dated 21 December 2006 to acquire the PPRs held by HSH in the Joint Venture. The Company has agreed to give an irrevocable and unconditional guarantee to HSH, and be treated as primary obligor, in respect of the due and punctual performance by Strong Team of its payment obligations to HSH pursuant to such agreements and for the Investors' Loans to the SPCs.

### **SUMMARY OF THE TERMS OF THE OOIL CHARTER GUARANTEES**

#### **The Date**

21 December 2006

#### **The Parties**

The Company

Each of the SPCs

### **Principal terms of the OOIL Charter Guarantees**

The Company has agreed to give an irrevocable and unconditional guarantee to the SPCs, and be treated as primary obligor, in respect of the due and punctual performance by the Lessee of its payment obligations to the respective SPCs pursuant to the Bareboat Charter.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE AGREEMENT, THE OOIL LOAN AGREEMENTS, THE BAREBOAT CHARTER, THE OOIL OPTION GUARANTEE AND THE OOIL CHARTER GUARANTEES**

The establishment of the Joint Venture and the entry into the relevant ancillary agreements enable the Group to implement the sale and leaseback financing structure in a tax efficient manner in accordance with applicable laws and regulations to acquire the Newbuilds. The Directors believe that the terms of the Joint Venture Agreement, the OOIL Loan Agreements, the Bareboat Charter, the OOIL Option Guarantee and the OOIL Charter Guarantees are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

The financing structure, including Strong Team’s entry into the Joint Venture Agreement and the establishment of the Joint Venture, the Company’s grant of the OOIL Loans, the OOIL Option Guarantee and the OOIL Charter Guarantees, constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further details of the OOIL Loan Agreements, Joint Venture Agreement, the Bareboat Charter, the OOIL Option Guarantee, the OOIL Charter Guarantees and other ancillary agreements and other relevant information will be dispatched to the Shareholders as soon as practicable.

## **INFORMATION OF THE GROUP**

The principal business of the Group is container transport and logistics services, ports and terminals and property development and investment.

## **INFORMATION OF HSH**

HSH is a commercial bank based in Hamburg, Germany with core businesses in Northern Europe and is a market leader in the corporate customer segment. HSH offers its customers an innovative range of products and services. HSH is a leading provider of financial services in the transport sector and the world’s largest provider of ship financing.

To the best of the knowledge, information and belief of the Directors after making reasonable enquiries, HSH and its ultimate holding company are not connected persons of the Company as defined under the Listing Rules.

## **Definitions**

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

“Bareboat Charter”	the demise charter agreements entered into between each of the SPCs and the Lessee;
“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 the People’s Republic of China;
“HSH”	HSH Nordbank AG;

“Investors’ Loans”	loans of an aggregate initial principal amount of US\$72 million (approximately HK\$561.6 million) granted by ING Luxembourg S.A., and HSH Nordbank AG Luxembourg Branch, which are, together with their respective ultimate beneficial owners, independent third parties as defined under the Listing Rules, to the SPCs for a term of eight years, which, amongst other things, are unsecured and fully subordinated to the Senior Loans and the OOIL Loans;
“Joint Venture”	Orient Overseas Container Line (Luxembourg) S.A., a joint venture company established and incorporated in Luxembourg, which is held by Strong Team and HSH as to 90% and 10% respectively;
“Joint Venture Agreement”	the Shareholders Agreement dated 21 December 2006 entered into between Strong Team and HSH to establish the Joint Venture;
“Lessee”	the wholly-owned subsidiary of the Company which charters Vessels from each of the SPCs;
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Newbuilds”	the four 8,063 TEU container vessels, namely Hull No. 1719, Hull No. 1720, Hull No. 1721 and Hull No. 1722;
“OOIL Charter Guarantees”	granted by the Company to the SPCs in respect of the Lessee’s due performance of their respective repayment obligations towards the SPCs in respect of the Bareboat Charter;
“OOIL Loans”	loans of an aggregate initial principal amount of US\$15 million (approximately HK\$117 million) granted by Strong Team to the SPCs for a term of eight years, being unsecured and subordinated to the Senior Loans, but carries additional rights for Strong Team to call for the purchase of the Vessels at specified prices on or after January 2010;
“OOIL Loan Agreements”	agreements relating to the OOIL Loans entered into between each of the SPCs and the Lessee;
“OOIL Option Guarantee”	granted by the Company to HSH in respect of Strong Team repayment obligations towards HSH relating to the options to acquire HSH’s PPRs;
“PPRs”	profit participating rights issued by the Joint Venture to each of HSH and Strong Team, and confer no voting rights nor are they tradeable securities;

“Senior Loans”	loans of an aggregate initial principal amount of approximately US\$393 million (approximately HK\$3.07 billion) granted by the Joint Venture to the SPCs for a term of eight years, secured by a mortgage and other covenants together with a general assignment of insurances, requisition compensation and earnings of the respective Vessels;
“Shareholders”	shareholders of the Company;
“SPCs”	the eight special purpose companies incorporated in Luxembourg and wholly-owned by the Joint Venture, each acquiring a Vessel;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strong Team”	Strong Team Limited, a company incorporated in the Cayman Islands;
“TEU”	twenty-foot equivalent container unit;
“US\$”	United States Dollars, the lawful currency of the United States of America;
“Vessels”	the Group’s existing vessels, namely “OOCL California”, “OOCL America”, “OOCL Japan”, “OOCL Hong Kong”, “OOCL Britain”, “OOCL China”, “OOCL Rotterdam” and “OOCL Belgium”; and
“%”	per cent.

The exchange rate used for reference purpose in this announcement is US\$1.00 to HK\$7.80.

By order of the Board  
**Lammy LEE**  
*Company Secretary*

Hong Kong, 28 December 2006

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

\* *For identification only*

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

Please also refer to the published version of this announcement in The Standard.