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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 WITH AII AND CMT**

#### **SUMMARY**

As disclosed in the Company's announcements dated 29 June 2005 and 15 March 2007, the Group had engaged in certain Continuing Connected Transactions with AII and CMT in Taiwan. On 10 December 2007, OTWL has entered into Supplemental Agreements with AII and CMT respectively to revise the terms of the Master Agreements, including, inter alia, renew the Master Agreements for three years and to revise the CMT Current Annual Cap.

As AII and CMT are connected persons of the Company, the transactions contemplated under the Master Agreements constitute continuing connected transactions for the Company under the Listing Rules and continue to be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement.

#### **BACKGROUND**

As disclosed in the Company's announcements dated 29 June 2005 and 15 March 2007, the Group had engaged in certain Continuing Connected Transactions with AII and CMT. Pursuant to the Master Agreements, each of AII and CMT had provided AII Services and CMT Services respectively to OTWL at the fees, rates and/or tariffs determined by the parties at arm's length negotiation on normal commercial terms in the usual and ordinary course of business of the Group in Taiwan. The Master Agreements would be expiring on 1 January 2008. On 10 December 2007, OTWL had entered into the Supplemental Agreements with each of AII and CMT respectively to amend the terms of the respective Master Agreements, including, inter alia, renew the term of the respective Master Agreements for three years and to revise the CMT Current Annual Cap as summarized below.

## MASTER AGREEMENTS GOVERNING THE CONTINUING CONNECTED TRANSACTIONS

### 1. AII Master Agreement

Parties:	AII and OTWL
Scope of services:	the AII Services
Term:	The AII Master Agreement will be renewed for a term of three years commencing from 1 January 2008 and ending on 31 December 2010, 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 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.
Annual cap:	AII Current Annual Cap in 2007 is US\$2,700,000 (approximately HK\$21,060,000).

Pursuant to the AII Master Agreement, AII and OTWL have agreed that the annual cap would remain unchanged at US\$2,700,000 (approximately HK\$21,060,000) for the years 2008, 2009 and 2010. For the purpose of Rule 14A.35(2) of the Listing Rules, the above annual cap for the continuing connected transactions are determined by reference to estimated business volume, inflation and historical amounts paid under the AII's master agreement for the period from 1 January 2005 up to 31 October 2007 as set out below.

Audited Amount in Year 2005 <i>(\$'000)</i>	Audited Amount in Year 2006 <i>(\$'000)</i>	Amount from 1.1.2007 to 31.10.2007 <i>(\$'000)</i>	Current Annual Cap <i>(\$'000)</i>	Revised Annual Cap <i>(\$'000)</i>
US\$2,102 (about HK\$16,396)	US\$1,902 (about HK\$14,836)	US\$1,410 (about HK\$10,998)	US\$2,700 (about HK\$21,060)	US\$2,700 (about HK\$21,060)

The flat annual cap for the financial years ending 31 December 2008, 2009 and 2010 as set out in the AII Master Agreement is based on the highest likely annual transaction amount anticipated for the coming three years.

## 2. CMT Master Agreement

Parties:	CMT and OTWL
Scope of services:	the CMT Services
Term:	The CMT Master Agreement will be renewed for a term of three years commencing from 1 January 2008 and ending on 31 December 2010, 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 renewal of the CMT Master Agreement.
Consideration:	CMT 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 CMT 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.
Annual cap:	CMT Current Annual Cap in 2007 is US\$26,000,000 (approximately HK\$202,800,000).

Pursuant to the CMT Master Agreement, CMT and OTWL have agreed to the Revised CMT Annual Cap of US\$30,560,000 (approximately HK\$238,368,000); US\$36,000,000 (approximately HK\$280,800,000); US\$41,000,000 (approximately HK\$319,800,000) for the years 2008, 2009 and 2010 respectively. 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 market and business growth, the high inflation and energy costs environment in our industry and in Taiwan; and the historical amounts paid under the CMT's master agreement for the period from 1 January 2005 up to 31 October 2007 as set out below, and also taking into consideration the increment of the annual cap for CMT master agreement in March 2007 of US\$4,000,000 (approximately HK\$31,200,000) from US\$22,000,000 (approximately HK\$171,600,000) to US\$26,000,000 (approximately HK\$202,800,000) to cover the business growth, inflation and high energy costs for the financial year ended 31 December 2007.

Audited Amount in Year 2005 (\$'000)	Audited Amount in Year 2006 (\$'000)	Amount from 1.1.2007 to 31.10.2007 (\$'000)	Current Annual Cap (\$'000)	Revised Annual Cap (\$'000)
US\$21,194 (about HK\$165,313)	US\$22,013 (about HK\$171,701)	US\$19,762 (about HK\$154,144)	US\$26,000 (about HK\$202,800)	Between US\$30,560 (about HK\$238,368) to US\$41,000 (about HK\$319,800)

The annual caps for each financial years ending 31 December 2008, 2009 and 2010 as set out in the CMT Master Agreement being the likely annual transaction amount anticipated for the coming three years.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Continuing Connected Transactions contemplated under the Master Agreements provide important support over the years to the Group in its shipping operations in Taiwan. The Board (including the independent non-executive Directors) considers that the renewal of the Master Agreements; the revision of the CMT Current Annual Cap and the Continuing Connected Transactions contemplated thereunder are in the usual and ordinary course of business of the Group, and that the terms of each of the Master Agreements; the Supplemental Agreements (including the annual caps for each of the Continuing Connected Transactions) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **CONNECTION BETWEEN THE PARTIES**

AII and CMT are companies controlled by Mr. Peng who is an associate of Mr. Chee Chen Tung, Mr. Roger King and Mr. Alan Lieh Sing Tung, Directors of the Company, and is an associate of Mr. Chee Hwa Tung, the substantial shareholder of the Company. Mr. Peng and accordingly AII and CMT are therefore connected persons of the Company as defined in the Listing Rules.

## **LISTING RULES REQUIREMENTS**

As each of the relevant percentage ratios of the AII Annual Cap and the Revised CMT Annual Cap of the Continuing Connected Transactions will, on an annual basis, exceeds 0.1% but less than 2.5%, the transactions contemplated under the Master Agreements, as amended and supplemented by the Supplemental Agreements, continue to be subject to reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under the Listing Rules. The Company will comply with the continuing obligations under Rules 14A.37 to 14A.41 of the Listing Rules and will comply with the relevant Listing Rules when the Master Agreements are renewed or when there is a material change to their terms.

## **BUSINESS OF THE GROUP, THE AII GROUP AND THE CMT GROUP**

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

According to the information provided by AII and CMT, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal business activities of the AII Group are inland container depot operation and real estate management, and the principal business activities of CMT Group are inland container trucking operation, inland container depot operation and bulk shipping.

## **DEFINITIONS**

- “AII” Associated International Inc., a company which Mr. Peng is interested in 100% of its issued share capital;
- “AII Current Annual Cap” the annual cap for the year ended 31 December 2007 of US\$2,700,000 (equivalent to approximately HK\$21,060,000) for the

	transactions contemplated under the AII's master agreement of 29 June 2005;
“AII Group”	AII and its subsidiaries;
“AII Master Agreement”	the master agreement between AII and OTWL dated 29 June 2005, as amended and supplemented by the AII Supplemental Agreement;
“AII Services”	services provided by AII Group to OTWL Group pursuant to the AII Master Agreement, including, inter alia, (i) provision of office premises and office equipment and (ii) freight station depot/container storage facilities;
“AII Supplemental Agreement”	an agreement dated 10 December 2007 between AII and OTWL and supplements the AII's master agreement of 29 June 2005;
“Board”	the board of Directors;
“Company”	Orient Overseas (International) Limited;
“CMT”	Chinese Maritime Transport Ltd., a company which Mr. Peng is interested in 67.97% of its issued share capital, the shares of which are listed on the Taiwan Stock Exchange Corporation;
“CMT Current Annual Cap”	the annual cap for the year ended 31 December 2007 of US\$26,000,000 (equivalent to approximately HK\$202,800,000) for the transactions contemplated under the CMT's master agreement of 29 June 2005;
“CMT Group”	CMT and its subsidiaries;
“CMT Master Agreement”	the master agreement between CMT and OTWL dated 29 June 2005, as amended and supplemented by the CMT Supplemental Agreement;
“CMT Services”	services provided by CMT Group to OTWL Group pursuant to the CMT Master Agreement, including, inter alia, (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; (vi) crew manning services and (vii) container inspection services;
“CMT Supplemental Agreement”	an agreement dated 10 December 2007 between CMT and OTWL and supplements the CMT's master agreement of 29 June 2005;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the AII Master Agreement and the CMT Master Agreement;
“Director”	director 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Master Agreements”	the AII Master Agreement and the CMT Master Agreement;
“Mr. Peng”	Mr. Yin-Kang John Peng, brother-in-law of Mr. Chee Chen Tung, an Executive Director, Chairman, President and Chief Executive Officer of the Company; brother-in-law of Mr. Roger King, a Non-Executive Director of the Company; uncle of Mr. Alan Lieh Sing Tung, an Executive Director of the Company; and brother-in-law of Mr. Chee Hwa Tung, a substantial shareholder of the Company;

“OTWL”	OOCL (Taiwan) Co., Ltd., an indirect wholly-owned subsidiary of the Company;
“OTWL Group”	OTWL and its holding companies, its subsidiaries, fellow subsidiaries and associated companies in Taiwan;
“Revised CMT Annual Cap”	the revised annual caps in the amount of US\$30,560,000 (approximately HK\$238,368,000), US\$36,000,000 (approximately HK\$280,800,000) and US\$41,000,000 (approximately HK\$319,800,000) for the transactions contemplated under the CMT Master Agreement for the three financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively;
“Services”	the AII Services and the CMT Services;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreements”	the AII Supplemental Agreement and the CMT Supplemental Agreement; and
“US\$”	United States dollars, the lawful currency of the United States of America.

*For illustrative purposes only, the exchange rate of US\$1 = HK\$7.8 has been used in this announcement.*

By Order of the Board  
**Lammy Lee**  
*Company Secretary*

Hong Kong, 10 December 2007

*As at the date of this announcement, our Executive Directors are Messrs. Chee Chen TUNG, Kenneth Gilbert CAMBIE, 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 purpose only*

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