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

**東方海外（國際）有限公司\***

*(Incorporated in Bermuda with members' limited liability)*

**(Stock Code: 316)**

### **MAJOR AND CONNECTED TRANSACTION CONSTRUCTION OF SEVEN VESSELS**

#### **CONSTRUCTION OF SEVEN VESSELS**

On 30 October 2020, the Buyers, seven indirect wholly-owned subsidiaries of the Company, respectively entered into the Shipbuilding Contracts on substantially the same terms with the respective Builders for the construction of the respective Vessels for an aggregate consideration of US\$1,103.876 million (equivalent to approximately HK\$8,610.23 million).

#### **LISTING RULES IMPLICATIONS**

Nantong is an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong. Dalian is an indirect subsidiary of COSCO SHIPPING. COSCO SHIPPING (through its wholly-owned subsidiaries) holds 36% equity interest, and Nantong directly holds 30% equity interest, respectively, in Dalian. COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, both Nantong and Dalian are connected persons of the Company under Chapter 14A of the Listing Rules, and the Transaction constitutes a connected transaction of the Company.

As the seven Shipbuilding Contracts were entered into with the entities who are connected with each other, the Shipbuilding Contracts are aggregated as one transaction under Rule 14A.82(1) of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Transaction (on its own and when aggregated with the March Transaction under the Listing Rules) exceeds 25% but is less than 100%, the Transaction constitutes a major transaction and a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the Independent Non-Executive Directors (except Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying) has been established to advise the Independent Shareholders on, among other things, the terms of the Transaction and on how to vote on the resolution in respect of the Transaction at the SGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Transaction, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the SGM, will be despatched to the Shareholders on or around 11 November 2020.

## **BACKGROUND**

On 30 October 2020, the Buyers (seven indirect wholly-owned subsidiaries of the Company) respectively entered into the Shipbuilding Contracts on substantially the same terms with the respective Builders for the construction of seven Vessels for an aggregate consideration of US\$1,103.876 million (equivalent to approximately HK\$8,610.23 million). Among the Shipbuilding Contracts, (i) three of which were entered into with Nantong for the construction of the related three Vessels for a consideration of US\$157.68 million (equivalent to approximately HK\$1,229.90 million) for each Vessel; and (ii) four of which were entered into with Dalian for the construction of the related four Vessels for a consideration of US\$157.709 million (equivalent to approximately HK\$1,230.13 million) for each Vessel.

## **FINANCE TERMS**

The Company currently envisages that bank financing will be arranged for the Transaction and expects to finance for not less than 60% of the contract price of each Vessel with the financing guaranteed by the Company which will be finalised before the delivery of the Vessels with the balance of the contract price to be funded from internal resources. If the bank financing arrangement could not be arranged, the full contract price of each Vessel would come from the internal resources of the Group, which is expected to be sufficient for this purpose.

## **CONTRACT TERMS**

The terms of the Shipbuilding Contracts (including the consideration for each Vessel) were determined on an arm's length basis and on normal commercial terms (based on price comparable to market price agreed between a willing buyer and a willing seller, payment terms, technical terms and delivery dates that meet the Company's requirements), pursuant to the tender process referred to in the section headed "Reasons for and Benefits of the Transaction" below.

Under each of the Shipbuilding Contracts, the relevant Buyer shall pay the respective consideration of US\$157.68 million or US\$157.709 million (as the case may be) in cash in five instalments based on progress intervals on the construction of each Vessel with a smaller proportion of contract price payable in the first four instalments and the majority of the payment payable upon delivery of the Vessel.

The Vessels are expected to be delivered between the third quarter of year 2023 and the third quarter of 2024 subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of appropriately US\$9.63 million) as provided in each of the Shipbuilding Contracts.

## REASONS FOR AND BENEFITS OF THE TRANSACTION

It is the view of the Directors that the Group should order the Vessels, following the entering of the shipbuilding contracts for the March Vessels as part of the Group's long-term strategic development and growth plan, to build and deploy mega-sized vessels that bring optimal fleet structure and capacity, economy of scale to the Group that would enhance the Group's cost competitiveness and improve operation efficiency; it would also consolidate our position at the top echelon in the industry and leading market share position in strategic trades.

Based on the Group's evaluation on price, technical competency and delivery schedule, Nantong's and Dalian's offer is optimal amongst the bidders (including the independent-third-party shipbuilders) in the tender process in that they meet the above factors.

It is in the commercial interests of and to the corporate benefit for the Group to enter into the Shipbuilding Contracts with the Builders, being builders for the March Vessels, as the Vessels are a repeat of the March Vessels and engaging the same Builders will provide synergy in construction. After being engaged to construct the March Vessels, the Builders have an improved understanding of the Group's operational and technical requirements and standard for its newbuildings. The Company understood that the Builders have open docks and capacity for new orders of mega-sized vessels such as the Vessels.

Following delivery of the Vessels, the Group's fixed assets will increase whilst current assets will decrease and long term liabilities will increase depending on the proportion of the contract price funded from internal resources and external finance; and there is no immediate material impact on earnings of the Group by reason only of the Transaction.

The Board (excluding the Independent Non-Executive Directors who are members of the Independent Board Committee whose view will be given after taking into account the advice from the Independent Financial Adviser) considers that the terms of the Shipbuilding Contracts are fair and reasonable, and the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

On the date of Board Meeting, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian and Mr. Feng Boming, the Executive Directors of the Company, were holding directorships and/or senior management positions in COSCO SHIPPING, its subsidiaries or its associates; Dr. Chung Shui Ming Timpson, the Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING; Mr. Yang Liang Yee Philip, the Independent Non-Executive Director of the Company, was an independent non-executive director of COSCO SHIPPING Holdings and COSCO SHIPPING Ports Limited; and Ms. Chen Ying, the Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING Lines Co., Ltd. Accordingly, each of them was considered to have a material interest in the Transaction and had abstained from voting on the relevant resolution at the Board Meeting.

At the Board Meeting, other than Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian, Mr. Feng Boming, Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying, none of the other Directors had a material interest in the Transaction, and none of them had abstained from voting on the relevant resolution.

## **LISTING RULES IMPLICATIONS**

Nantong is an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong. Dalian is an indirect subsidiary of COSCO SHIPPING. COSCO SHIPPING (through its wholly-owned subsidiaries) holds 36% equity interest, and Nantong directly holds 30% equity interest, respectively, in Dalian. COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, both Nantong and Dalian are connected persons of the Company under Chapter 14A of the Listing Rules, and the Transaction constitutes a connected transaction of the Company.

As the seven Shipbuilding Contracts were entered into with the entities who are connected with each other, the Shipbuilding Contracts are aggregated as one transaction under Rule 14A.82(1) of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Transaction (on its own and when aggregated with the March Transaction under the Listing Rules) exceeds 25% but is less than 100%, the Transaction constitutes a major transaction and a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the Independent Non-Executive Directors (except Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying) has been established to advise the Independent Shareholders on, among other things, the terms of the Transaction and on how to vote on the resolution in respect of the Transaction at the SGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Transaction, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the SGM, will be despatched to the Shareholders on or around 11 November 2020.

Faulkner will abstain from voting on the resolution in respect of the Transaction at the SGM.

## **INFORMATION ON THE GROUP AND THE BUILDERS**

The Group is principally engaged in the provision of container transport and logistics services.

To the best of the Directors' knowledge, information and belief, Nantong is a company established in the PRC and is an associate of COSCO SHIPPING, and in which each of COSCO SHIPPING and Kawasaki Heavy Industries Ltd. ("Kawasaki", a heavy industrial manufacturer whose shares are listed on the Tokyo Stock Exchange) indirectly or directly holds 50% equity interest respectively. Nantong is principally engaged in the business of manufacturing, sales and repairing of ships (including trial-run for self-built ships).

To the best of the Directors' knowledge, information and belief, Dalian is a company established in the PRC and is an indirect subsidiary of COSCO SHIPPING, and Dalian's other direct shareholders are Nantong and Kawasaki. Dalian is principally engaged in the business of design, manufacturing, sales and repairing of ships (excluding military ships).

To the best of the Directors' knowledge, information and belief, the scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sale of vessels, containers and steel, and maritime engineering.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Board Meeting”	the meeting of the Board held on 29 October 2020 for approving, among other things, the Transaction;
“Builders”	Dalian and Nantong;
“Buyers”	Newcontainer No.113 (Marshall Islands) Shipping Inc. (“NC113”), Newcontainer No.115 (Marshall Islands) Shipping Inc. (“NC115”), Newcontainer No.116 (Marshall Islands) Shipping Inc. (“NC116”), Newcontainer No.117 (Marshall Islands) Shipping Inc. (“NC117”), Newcontainer No.118 (Marshall Islands) Shipping Inc. (“NC118”), Newcontainer No.119 (Marshall Islands) Shipping Inc. (“NC119”), and Newcontainer No.120 (Marshall Islands) Shipping Inc. (“NC120”), each an indirect wholly-owned subsidiary of the Company;
“Company”	Orient Overseas (International) Limited (東方海外(國際)有限公司*), a company incorporated in Bermuda with members’ limited liability and listed on the Main Board of the Stock Exchange (stock code: 316);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and indirectly controls more than 50% of the issued share capital of the Company;
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and associates (as defined under the Listing Rules);
“COSCO SHIPPING Holdings”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and a member of the COSCO SHIPPING Group, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601919);
“Dalian”	Dalian COSCO KHI Ship Engineering Co., Ltd.* (大連中遠海運川崎船舶工程有限公司), a company established in the PRC and an indirect subsidiary of COSCO SHIPPING. Nantong directly holds 30% equity interest in Dalian;

“Directors”	the directors of the Company;
“Faulkner”	Faulkner Global Holdings Limited, a company incorporated in the British Virgin Islands and a member of the COSCO SHIPPING Group, directly holds 75% of the issued share capital of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Board comprising all the Independent Non-Executive Directors (except Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying), who have no material interests in the Transaction;
“Independent Financial Adviser”	First Shanghai Capital Limited (第一上海融資有限公司), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other things, the terms of the Transaction;
“Independent Non-Executive Directors”	the independent non-executive Directors, namely Mr. Chow Philip Yiu Wah, Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip, Ms. Chen Ying and Mr. So Gregory Kam Leung;
“Independent Shareholders”	Shareholders other than those who are members of the COSCO SHIPPING Group;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“March Transaction”	the transactions contemplated under the shipbuilding contracts all dated 10 March 2020 for the construction of the March Vessels, which constituted a major transaction and a connected transaction of the Company, and the details of which are contained in the announcement of the Company dated 10 March 2020 and the circular of the Company dated 9 April 2020;
“March Vessels”	five units of 23,000 TEU container vessels, three of which are being constructed by Nantong and two of which are being constructed by Dalian under the five shipbuilding contracts all dated 10 March 2020;
“Nantong”	Nantong COSCO KHI Ship Engineering Co., Ltd.* (南通中遠海運川崎船舶工程有限公司), a company established in the PRC and an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong;

“PRC”	the People’s Republic of China;
“SGM”	the special general meeting of the Company to be held to consider, and if thought fit, approve, among other things, the Transaction;
“Shareholders”	holder(s) of the share(s) of the Company;
“Shipbuilding Contracts”	the following seven shipbuilding contracts all dated 30 October 2020, each of which relates to one Vessel and contains substantially the same terms: (i) three shipbuilding contracts entered into by Nantong with each of NC113, NC115 and NC116 respectively in respect of the three related Vessels; and (ii) four shipbuilding contracts entered into by Dalian with each of NC117, NC118, NC119 and NC120 respectively in respect of the four related Vessels;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules; and “subsidiary” means any one of them;
“TEU”	twenty-foot equivalent container unit;
“Transaction”	the transactions contemplated under the Shipbuilding Contracts;
“US\$”	United States Dollars, the lawful currency of the United States;
“Vessels”	seven units of 23,000 TEU container vessels, three of which will be constructed by Nantong and four of which will be constructed by Dalian according to the respective Shipbuilding Contracts; and “Vessel” means any of them; and
“%”	per cent.

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

By Order of the Board  
**Orient Overseas (International) Limited**  
**XIAO Junguang**  
*Company Secretary*

Hong Kong, 30 October 2020

*As at the date of this announcement, our Executive Directors are Mr. XU Lirong, Mr. HUANG Xiaowen, Mr. YANG Zhijian and Mr. FENG Boming; our Non-Executive Directors are Mr. TUNG Lieh Cheung Andrew, Mr. YAN Jun, Ms. WANG Dan, Mr. IP Sing Chi and Ms. CUI Hongqin; and our Independent Non-Executive Directors are Mr. CHOW Philip Yiu Wah, Dr. CHUNG Shui Ming Timpson, Mr. YANG Liang Yee Philip, Ms. CHEN Ying and Mr. SO Gregory Kam Leung.*

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