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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Orient Overseas (International) Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

MAJOR TRANSACTION

SALE OF THE LONG BEACH TERMINAL BUSINESS

Financial Adviser

J.P.Morgan

J.P. Morgan Securities
(Asia Pacific) Limited

The Company has obtained written Shareholders' approval for the Transaction pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be held to approve the Transaction pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

31 July 2019

* For identification purpose only

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DEFINITIONS

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

“A\$”	Australian Dollars, the lawful currency of Australia;
“Board”	the board of Directors of the Company;
“Business Day”	any day that is not a Saturday, a Sunday or other day on which commercial banks are required or authorised by law or regulation to be closed in Hong Kong, the State of California and the State of Delaware;
“CFIUS”	Committee on Foreign Investment in the United States;
“Company”	Orient Overseas (International) Limited, a company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 316);
“Completion”	completion of the sale and purchase of the Sale Interests in accordance with the Sale and Purchase Agreement;
“Completion Date”	the date on which Completion occurs;
“Consideration”	the aggregate consideration for the Transaction;
“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, 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);
“Directors”	the directors of the Company;
“Faulkner”	Faulkner Global Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of COSCO SHIPPING Holdings;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“IFRS”	International Financial Reporting Standards;
“Interests”	the limited liability company interests in the Target;
“Joint Announcement”	the announcement dated 7 July 2018 jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and the Company in relation to the proposed sale of the Long Beach Terminal Business;
“Joint Offerors”	Faulkner and Shanghai Port Group (BVI) Development Co., Limited (上港集團BVI 發展有限公司);
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited;
“Latest Practicable Date”	26 July 2019, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
“LBCTI”	Long Beach Container Terminal, Inc., a corporation organised under the laws of the State of California and a wholly beneficially owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Long Beach Terminal Business”	the container terminal business at the Port of Long Beach in Long Beach, California, known as the Long Beach Container Terminal;
“Long-Stop Date”	the date falling 180 days after the date of the Sale and Purchase Agreement subject to extension for another 180 days at either the Sellers’ or the Purchaser’s option if any regulatory approval required as a condition precedent to Completion to be satisfied is not yet satisfied;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“National Security Agreement”	the national security agreement dated 6 July 2018 entered into among the Company, Faulkner and the USG Parties;

DEFINITIONS

“Offer”	the conditional voluntary general cash offer by UBS AG Hong Kong Branch, on behalf of the Joint Offerors, to acquire all of the issued Shares of the Company;
“OOCL”	Orient Overseas Container Line Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company;
“OOCL Assets”	OOCL (Assets) Holdings Inc., a company incorporated under the laws of Liberia (and re-domiciled under the laws of the Marshall Islands) and a wholly-owned subsidiary of the Company;
“OOCLL”	OOCL LLC, a limited liability company organised under the laws of the State of Delaware and a wholly beneficially owned subsidiary of the Company;
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Preferential Assignment Agreement”	the preferential assignment agreement dated 30 April 2012 entered into between OOCLL and the City of Long Beach, as amended on 27 March 2013, 20 November 2014 and 8 August 2016, pursuant to which OOCLL was granted a lease to use the Middle Harbor Terminal in Long Beach, California for a term of 40 years commencing on 1 July 2011. OOCLL’s obligations under the Preferential Assignment Agreement include paying rent to the City of Long Beach, providing the automated equipment to operate the Middle Harbor Terminal and contributing to the redevelopment of the Middle Harbor Terminal. The Target concurrently entered into a sublease, assumption and consent agreement on 30 April 2012 with OOCLL, OOCL and the City of Long Beach, pursuant to which the Target assumed all responsibilities, obligations and liabilities of OOCLL under the Preferential Assignment Agreement, with OOCLL remaining fully obligated to the City of Long Beach under the Preferential Assignment Agreement. OOCL executed a guarantee on 24 February 2012 in favour of the City of Long Beach to guarantee the obligations of OOCLL and the Target in respect of the Preferential Assignment Agreement;

DEFINITIONS

“Purchaser”	Olivia Holdings, LLC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 April 2019 entered into among the Sellers, OOCL Assets and the Purchaser;
“Sale”	the sale by the Sellers and the purchase by the Purchaser of the Sale Interests subject to the terms and conditions of the Sale and Purchase Agreement;
“Sale Interests”	100% of the Interests in the Target;
“Sellers”	OOCL and LBCTI;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“Shares”	ordinary shares of US\$0.10 each in the share capital of the Company;
“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;
“Target”	LBCT LLC, a limited liability company organised under the laws of the State of Delaware and a wholly beneficially owned subsidiary of the Company as at the date of this circular;
“Terminal Services Agreement”	the Terminal Services Agreement in the agreed form to be entered into among OOCL, OOCL Assets, the Target and the Purchaser on the Completion Date;
“TEU”	twenty-foot equivalent unit, a measurement for container shipping capacity;
“Transaction”	the transactions contemplated under the Sale and Purchase Agreement, including the Sale and the Terminal Services Agreement;
“US\$”	United States Dollars, the lawful currency of the United States;

DEFINITIONS

“USG Parties”	the U.S. Departments of Homeland Security and Justice;
“U.S.” or “United States”	United States of America; and
“%”	per cent.

Note: The exchange rate used for reference purpose in this circular is US\$1.00 to HK\$7.85.

** For identification purpose only*

LETTER FROM THE BOARD



ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 316)

Executive Directors:

Mr. XU Lirong (*Chairman*)

Mr. HUANG Xiaowen (*Chief Executive Officer*)

Mr. WANG Haimin

Mr. ZHANG Wei

Mr. TUNG Lieh Cheung Andrew

Principal Office:

31st Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

Non-Executive Directors:

Mr. YAN Jun

Ms. WANG Dan

Mr. IP Sing Chi

Ms. CUI Hongqin

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent Non-Executive Directors:

Mr. CHOW Philip Yiu Wah

Dr. CHUNG Shui Ming Timpson

Mr. YANG Liang Yee Philip

Ms. CHEN Ying

Mr. SO Gregory Kam Leung

31 July 2019

To the Shareholders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION

SALE OF THE LONG BEACH TERMINAL BUSINESS

INTRODUCTION

Reference is made to (i) the Joint Announcement dated 7 July 2018 jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and the Company in relation to the proposed sale of the Long Beach Terminal Business operated by the Target; and (ii) the announcement of the Company dated 29 April 2019 in relation to the Transaction.

* For identification purpose only

LETTER FROM THE BOARD

On 29 April 2019, the Sellers (both wholly beneficially owned subsidiaries of the Company) and OOCL Assets (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Sellers conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire Interests in the Target (a wholly beneficially owned subsidiary of the Company), and OOCL Assets agreed to cause OOCL (a wholly-owned subsidiary of the Company) to enter into the Terminal Services Agreement on the Completion Date, for the Consideration of US\$1.78 billion (equivalent to approximately HK\$13.973 billion) (subject to certain post-Completion adjustments).

J.P. Morgan is acting as the sole financial adviser to the Company in relation to the Transaction.

THE SALE AND PURCHASE AGREEMENT

On 29 April 2019, the Sellers and OOCL Assets entered into the Sale and Purchase Agreement with the Purchaser. The Sellers have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interests (representing 100% of the Interests in the Target) and OOCL Assets has guaranteed the obligations of the Sellers under the Sale and Purchase Agreement. Under the terms of the Sale and Purchase Agreement, OOCL Assets has agreed to cause OOCL (a wholly-owned subsidiary of the Company) to enter into the Terminal Services Agreement on the Completion Date.

The Target operates the Long Beach Terminal Business at the Port of Long Beach, California, United States, known as the Long Beach Container Terminal. After Completion of the Transaction, the Target will cease to be a wholly beneficially owned subsidiary of the Company.

Consideration

The Consideration for the Transaction is US\$1.78 billion (approximately HK\$13.973 billion). The Consideration is payable in full in cash at Completion, subject to certain post-Completion adjustments as described below.

The Consideration was determined through arms-length negotiations between the Company and the Purchaser following the selection of the Purchaser as the preferred bidder based on the identity and experience of the various bidders on terminal asset and operation and the amount of consideration offered through a competitive auction process.

LETTER FROM THE BOARD

Post-Completion Adjustment to the Consideration

For the purpose of the post-Completion adjustment, prior to the Completion Date, the Sellers shall prepare and deliver a preliminary closing statement setting out the preliminary balance sheet of the Target immediately prior to Completion and the estimated net working capital, indebtedness, cash and transaction expenses immediately prior to Completion. After the Completion Date, the Purchaser shall prepare and deliver a final closing statement setting out the balance sheet of the Target immediately prior to Completion and a calculation of the actual net working capital, indebtedness, cash and transaction expenses immediately prior to Completion.

The post-Completion adjustment amount (which may be positive or negative) is equal to the difference between the actual and estimated net working capital, less the difference between the actual and estimated indebtedness, plus the difference between the actual and estimated cash, and less the difference between the actual and estimated transaction expenses.

If the post-Completion adjustment amount is positive, the Consideration shall be adjusted upwards in an amount equal to the post-Completion adjustment amount and the Purchaser shall pay the post-Completion adjustment amount to the Sellers. If the post-Completion adjustment amount is negative, the Consideration shall be adjusted downwards in an amount equal to the post-Completion adjustment amount and the Sellers shall pay the post-Completion adjustment amount to the purchaser. There is no limit on the amount of the post-Completion adjustments.

The post-Completion adjustment is not expected to be material and is not expected to lead to the Sale being classified as a very substantial disposal of the Company under Chapter 14 of the Listing Rules. If the post-Completion adjustment leads to the Sale being classified as a very substantial disposal of the Company under Chapter 14 of the Listing Rules, the Company will re-comply with the relevant requirements under Chapter 14 of the Listing Rules for very substantial disposals.

Conditions Precedent

Completion is subject to, among others, the satisfaction or (where applicable) waiver of certain conditions precedent prior to the Long-Stop Date, including the following:

- (a) the consent of the USG Parties and/or CFIUS (if required) for the Transaction shall have been obtained, not subject to any adverse condition (as defined in the Sale and Purchase Agreement) and shall not have been revoked;
- (b) the consent of the City of Long Beach for the Transaction, including the release of OOCLL from all obligations under the Preferential Assignment Agreement between OOCLL and the City of Long Beach and the termination of the guarantee given by OOCL in respect thereto, shall have been obtained, not subject to any adverse condition (as defined in the Sale and Purchase Agreement) and shall not have been revoked;

LETTER FROM THE BOARD

- (c) the expiration of the waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the termination of such waiting period by the Antitrust Division of the United States Department of Justice or the United States Federal Trade Commission shall have been obtained and shall not have been revoked;
- (d) no non-appealable final decree, injunction, judgment, order, notice, ruling, procedure or similar pronouncement by any U.S. or PRC governmental entity with competent jurisdiction shall have been issued that materially restrains or otherwise imposes materially adverse conditions on the consummation of the Transaction;
- (e) no material adverse effect (as defined in the Sale and Purchase Agreement) in relation to the Target shall have occurred; and
- (f) such approvals of the shareholders of each of the Company and COSCO SHIPPING Holdings as may be required under listing rules, law or regulations for the Transaction.

The Purchaser is entitled to waive the condition in paragraph (e). The Sellers are entitled to waive the condition in paragraph (f). Conditions (a), (b), (c) and (d) may be waived with the consent of all the parties to the Sale and Purchase Agreement, subject to applicable laws, regulations, rules, orders or other similar requirements of any governmental, regulatory or administrative body or any court, tribunal or judicial or arbitral body. As of the Latest Practicable Date, the Company is not aware of any intention of the parties to waive any of the conditions.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (c) and (f) above have been fulfilled and no conditions have been waived.

Completion

Completion will take place on the fifteenth (15th) Business Day following the satisfaction or waiver of the conditions precedent (other than those conditions which, by their nature, are to be satisfied on the Completion Date), or on such other date as may be agreed between the Sellers and the Purchaser, provided that if Completion has not occurred by the Long-Stop Date, then either the Sellers or the Purchaser may terminate the Sale and Purchase Agreement.

LETTER FROM THE BOARD

TERMINAL SERVICES AGREEMENT

Pursuant to the Sale and Purchase Agreement, OOCL, OOCL Assets as co-payment obligor, the Target and the Purchaser will enter into the Terminal Services Agreement on the Completion Date in relation to the container stevedoring and terminal services to be provided by the Target to OOCL. Under the terms of the Terminal Services Agreement, OOCL will agree to place, or procure the placement of, for a 20-year period, an annual minimum number of vessel lifts at the Long Beach Container Terminal for an agreed vessel and rail tariff. If, in any given year, OOCL fails to place or procure to be placed the number of vessel lifts satisfying the minimum volume commitment, OOCL will pay the Target a deficiency payment determined by reference to the shortfall in the number of vessel lifts multiplied by the vessel tariff.

Notwithstanding that the maximum potential exposure for the deficiency payments is set in the Terminal Services Agreement, being the number of vessel lifts committed multiplied by the vessel tariff, it should be understood that the average annual maximum potential exposure is not material to the Group and is unlikely to be realised, and the actual exposure will reflect that (i) OOCL being a member of the largest alliance, Ocean Alliance, is able to procure the placement of vessel lifts by its affiliates and third parties including members of Ocean Alliance at the Long Beach Container Terminal, and such vessel lifts would satisfy its obligations under the Terminal Services Agreement; (ii) OOCL and its affiliates are the largest trans-pacific carriers with a significant market share, and their current and anticipated trans-pacific trade volumes are expected to be sufficient to meet the minimum volume of vessel lifts under the Terminal Services Agreement; and (iii) in the 35 years as tenant of the Port of Long Beach, the second largest port in the U.S., where the Long Beach Container Terminal is located, OOCL has consistently been able to fill the Long Beach Container Terminal to its built capacity.

The amount of the annual minimum volume commitment and the vessel and rail tariff was determined after arm's length negotiations between the Sellers and the Purchaser with reference to, among other things, existing volumes, prevailing market tariffs and the duration of the minimum volume commitment. The Directors are of the view that the Terminal Services Agreement is in line with industry practice and its terms are fair and reasonable and on normal commercial terms.

INFORMATION ON THE TARGET

The Target is a limited liability company organised under the laws of the State of Delaware. As at the date of the Sale and Purchase Agreement, the Target is a wholly beneficially owned subsidiary of the Company. The Target operates the Long Beach Terminal Business in Long Beach, California, United States, known as the Long Beach Container Terminal.

As at 31 December 2018, the audited net book value of the Sale Interests (as derived from the audited financial statements of the Target prepared in accordance with IFRS) was US\$345,240,247 (equivalent to approximately HK\$2,710,135,939).

LETTER FROM THE BOARD

The profits attributable to the Sale Interests for the two years ended 31 December 2017 and 31 December 2018 (as derived from the audited financial statements of the Target prepared in accordance with IFRS) are US\$17,553,690 (equivalent to approximately HK\$137,796,467) and US\$85,860,700 (equivalent to approximately HK\$674,006,495), respectively. As a result of certain tax classification of the Target under the provisions of the United States Internal Revenue Code, no provision or liability for taxes for the Target is included in the Target's audited financial statements.

USE OF PROCEEDS FROM THE TRANSACTION

As at the date of this circular, the Company has not made any decision as to the use of proceeds from the Transaction, and will undertake a review of the potential uses of the proceeds from the Transaction, including for general working capital of the Group and to fund new growth opportunities within its core business of container transport and logistics services.

The Company will inform its Shareholders when it has made a decision as to the use of proceeds from the Transaction and of any material update relating to the use of proceeds from the Transaction by way of further announcements or in its interim and/or annual report, as appropriate.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The reasons and background for the Sale are set out in the Joint Announcement. As disclosed in the Joint Announcement, while not being a pre-condition to the Offer, the Joint Offerors and the Company agreed to take all necessary steps, including any accommodation and mitigation actions, to procure the approval or clearance by CFIUS in relation to the Offer. As disclosed in the Joint Announcement, the Company and Faulkner received a letter from CFIUS dated 6 July 2018 stating that CFIUS determined that there were no unresolved national security issues related to the Offer after the Company and Faulkner entered into the National Security Agreement on 6 July 2018 with the USG Parties pursuant to which the Company and Faulkner committed to divest the Long Beach Container Business to a suitable, unrelated third party (who will not be a shareholder of the Company) acceptable to the USG Parties on commercially reasonable, arms-length terms and conditions customary for a like-kind transaction. The Sellers have entered into the Sale and Purchase Agreement to effect the divestment of the Long Beach Terminal Business in accordance with the National Security Agreement.

The Directors are of the view that the Transaction represents an opportunity to monetise the shareholder value that has been created through its container terminal business at the Long Beach Container Terminal. The Transaction will allow the Company to realise the value of the Long Beach Terminal Business. In addition, the Company believes that the Transaction represents an opportunity for the Group to increase the cash resources of the Group for further development and expansion of its remaining container transport and logistics services business.

LETTER FROM THE BOARD

The Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTION

After Completion of the Transaction, the Company will cease to have any beneficial interest in the Target and the Target will cease to be a wholly beneficially owned subsidiary of the Company.

The Company is expected to realise an estimated gain before tax of approximately US\$1.293 billion (equivalent to approximately HK\$10.15 billion) from the Transaction, which is expected to be accounted for in the consolidated financial statements of the Company for the financial year ending 31 December 2019. The estimated gain before tax is calculated with reference to, among other things, the Consideration less the total of: (i) the consolidated net asset value of the Target as at 31 December 2018; and (ii) estimated expenses relating to the Transaction. The actual amount of the gain before tax on the Transaction is subject to audit and may be different from the expected amount stated above due to, among other things, post-Completion adjustments (if any), the net asset value of the Target as at the date of Completion and the actual expenses relating to the Transaction.

The excess of the Consideration over the audited net asset value of the Target as at 31 December 2018 is US\$1.435 billion (equivalent to approximately HK\$11.26 billion).

Following Completion, the financial statements of the Target will cease to be consolidated in those of the Group. After Completion, it is estimated that the consolidated total assets of the Group will decrease by approximately US\$518.5 million (equivalent to approximately HK\$4,070.0 million) and the consolidated total liabilities will decrease by approximately US\$173.2 million (equivalent to approximately HK\$1,359.8 million), after deducting the incidental expenses in relation to the Transaction and subject to audit.

INFORMATION ON THE GROUP

The Group has principal business activities in container transport and logistics services.

“Orient Overseas Container Line” and “OOCL” are trade names for transportation provided separately by OOCL and OOCL (Europe) Limited respectively and both are wholly-owned subsidiaries of the Company. Orient Overseas Container Line is one of the world’s largest integrated international transportation, logistics and terminal companies, and is an industry leader in the use of information technology and e-commerce to manage the entire cargo transport process.

LETTER FROM THE BOARD

INFORMATION ON THE PURCHASER

The Purchaser, Olivia Holdings, LLC, a limited liability company organised under the laws of the State of Delaware and principally engaged in investment holding, is a majority-owned portfolio company of Macquarie Infrastructure Partners IV, an unlisted North American infrastructure fund managed by Macquarie Infrastructure and Real Assets (“MIRA”). MIRA is a part of Macquarie Asset Management, the asset management arm of Macquarie Group and one of the world’s leading alternative asset managers. For more than two decades, MIRA has partnered with investors, governments and communities to manage, develop and enhance assets relied on by more than 100 million people each day. As at 31 December 2018, MIRA managed A\$185.9 billion in assets, including 161 portfolio businesses, approximately 400 properties and 4.6 million hectares of farmland. The Macquarie Group is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. Founded in 1969, Macquarie employs 14,869 people in 27 countries.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and the ultimate beneficial owner of the Purchaser are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS FOR THE COMPANY

As one or more of the applicable percentage ratios under the Listing Rules exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Transaction.

In accordance with Rule 14.44 of the Listing Rules, the Company has obtained a written approval from its majority shareholder, Faulkner (a wholly-owned subsidiary of COSCO SHIPPING Holdings) which holds 469,344,972 Shares in the Company (representing approximately 75% of the issued share capital of the Company), in lieu of holding a general meeting to approve the Transaction.

LETTER FROM THE BOARD

In accordance with Appendix 1B paragraph 43(2)(b) of the Listing Rules (which is applicable as a result of Rule 14.66(10) of the Listing Rules), any material contract referred to in the major transaction circular has to be made available for inspection in Hong Kong for a reasonable period of time. As the Sale and Purchase Agreement is a material contract referred to in this circular, the Company has applied for a waiver from the Stock Exchange such that certain provisions contained in the Sale and Purchase Agreement relating to the terms of the Terminal Services Agreement to be entered into on Completion in respect of the minimum volume commitment, the vessel and rail tariffs, excess rebates and the deficiency payment calculation, which are commercially sensitive in nature, (“Commercially Sensitive Information”) are redacted and would not be made available for inspection. The Company has applied for, and the Stock Exchange has granted, the waiver on the basis of the particular facts and circumstances of this case only. The Company applied for the waiver on the grounds that it is the normal business practice of the global container shipping industry not to disclose such Commercially Sensitive Information. Notwithstanding that the Commercially Sensitive Information is redacted from the Sale and Purchase Agreement that is made available for inspection, the Directors are of the view that the Terminal Services Agreement is in line with industry practice and its terms are fair and reasonable and on normal commercial terms and the Directors consider that, were a general meeting to be convened, Shareholders would have sufficient information to assess and make an informed voting decision on the Transaction on the basis of the disclosures relating to the Terminal Services Agreement in this circular.

As the Transaction is conditional on the fulfilment (or waiver) of the conditions precedent, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares of the Company.

RECOMMENDATION

The Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As explained above, no general meeting of the Company will be convened for the purpose of approving the Transaction. However, if a general meeting were to be convened, the Directors would recommend the Shareholders to vote in favour of the resolution to approve the Transaction at such general meeting.

ADDITIONAL INFORMATION

This document constitutes this circular which the Company is required to send to you pursuant to the Listing Rules in respect of the Transaction.

LETTER FROM THE BOARD

Your attention is drawn to the information set out in Appendices I and II to this circular.

Yours faithfully,

By order of the Board

Orient Overseas (International) Limited

XU Lirong

Chairman

1. STATEMENT OF INDEBTEDNESS**Borrowings and Indebtedness**

As at the close of business of 31 May 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has outstanding borrowings and indebtedness of approximately US\$4,956.0 million (equivalent to approximately HK\$38,904.6 million), comprising secured bank loans of approximately US\$1,301.4 million (equivalent to approximately HK\$10,216.0 million), unsecured bank loans of approximately US\$177.1 million (equivalent to approximately HK\$1,390.2 million), finance lease obligations of approximately US\$2,411.4 million (equivalent to approximately HK\$18,929.5 million) and lease liabilities of approximately US\$1,066.1 million (equivalent to approximately HK\$8,368.9 million).

Contingent Liabilities

As at the close of business of 31 May 2019, the Group had no material contingent liabilities.

Pledges of Assets

The Group's general banking facilities and the above outstanding secured borrowings of approximately US\$3,712.8 million (equivalent to approximately HK\$29,145.5 million) were secured by the Group's property, plant and equipment with net book value of approximately US\$4,843.5 million (equivalent to approximately HK\$38,021.5 million) and certain bank deposits.

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 May 2019.

2. WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account the internal resources of the Group and the borrowing facilities available to the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular.

3. FINANCIAL INFORMATION OF THE GROUP

The information of the Company for the latest three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the latest financial year for the Group are included in the below documents:

- The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been set out in the Company's 2018 annual report published on 25 April 2019 from pages 105 to 183 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltm20190424458.pdf>)
- The audited consolidated financial statements of the Group for the year ended 31 December 2017 have been set out in the Company's 2017 annual report published on 9 April 2018 from pages 95 to 159 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0406/ltm20180406585.pdf>)
- The audited consolidated financial statements of the Group for the year ended 31 December 2016 have been set out in the Company's 2016 annual report published on 5 April 2017 from pages 98 to 163 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0403/ltm201704031075.pdf>)

The aforesaid annual reports of the Company have been published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and of the Company (<https://www.ooilgroup.com>).

4. FINANCIAL AND TRADING PROSPECTS

In 2018, the global economy produced mixed results, but the trend, in so far as it affects the core business of the Group, was broadly positive. The second half of the year benefited from strong increases in cargo volumes heading to the U.S., driven by a strengthening economy that produced gross domestic product growth for the full year of almost 3%. Growth in the Eurozone was lower, at 1.8%, but far from negative. Similarly, in Asia, many of our trade lanes in the region witnessed steady if not spectacular growth.

In 2018, OOCL, the Group's core operating company, recorded liftings of 6.7 million TEU and revenue of US\$6.0 billion. These figures represent a 6.3% and a 9.9% increase respectively over the previous year. Average revenue per TEU increased by 3.4% year on year. Costs remain largely unchanged, with the main exception of bunker cost, reflecting the increase in the underlying oil price.

Looking forward to 2019, we are cautiously optimistic about the global economy and the shipping environment as both challenges and opportunities are lying ahead.

Two risk factors in particular may have some impacts on the financial trading prospects for the year. Firstly, the ongoing trade discussions between China and the United States have yet to reach resolution. Until they do, it is not possible to predict what their impact might be. At the time of writing, trading performance and volumes have not significantly been affected, but it remains to be seen whether new and/or increase tariffs will change the outlook. Secondly, towards the end of 2019, we will begin to see the impact of new fuel regulations being introduced in January 2020. These regulations will require the shipping industry to use low sulphur fuel, which will lead to an increase in fuel costs. This phenomenon is widely known, and the Group has discussed mechanisms for cost transfer with its contract customers – however the speed at which new higher prices will be introduced, and the length of any potential temporary spike in prices, remain unknown.

Without dismissing the potential significance of these risk factors, we consider that, despite uncertainties, the underlying economic backdrop may provide a certain degree of support to the Group and the industry in 2019. The U.S. economy remains relatively robust. Growth drivers in the Chinese economy, both domestically and through the Belt and Road Initiative provide encouraging opportunities. European economies may not be growing at the rate we might hope, but overall constitute a large economic area that still sees some level of increase. Asian economies present a mixed picture, but would seem to be relatively stable.

The Group will continue to pay very close attention to the potential impacts from China/U.S. trade discussions and fuel prices.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules:

(i) Directors' and Chief Executive's interests and short positions in Shares, underlying Shares and debentures of the Company

Nil.

(ii) Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of associated corporations of the Company

Name of associated corporation	Name of Director or Chief Executive	Capacity	Number of ordinary shares held as personal interest	Number of outstanding share options granted	Total number of interests	Approximate percentage of total issued share capital of the associated corporation
COSCO SHIPPING Ports Limited	ZHANG Wei	Beneficial Owner	313,401	1,500,000 ^(Note 1)	1,813,401	0.06% ^(Note 2)

Notes:

- (1) The share options were granted on 19 June 2018 under the share option scheme of COSCO SHIPPING Ports Limited (“COSCO SHIPPING Ports”) at an exercise price of HK\$7.27 per share. These share options are exercisable from 19 June 2020 to 18 June 2023. According to the terms of the COSCO SHIPPING Ports share option scheme, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the “Restriction Period”). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 19 June 2020; (b) 33.3% of the share options will be vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19 June 2022. Details of the vesting conditions for the share options are set out in the section headed “11. Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options” in the circular of the COSCO SHIPPING Ports dated 18 May 2018. No consideration was paid by the grantees for the acceptance of share option.
- (2) The shareholding percentage in COSCO SHIPPING Ports is calculated on the basis of 3,161,528,097 shares in issue as at the Latest Practicable Date.

(B) Directors’ interest as a director or employee of a company which has a discloseable interest or short position in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of company	Name of Director	Position held by the Director in such company
China COSCO SHIPPING Corporation Limited	Mr. XU Lirong	Chairman of the Board and the Party Secretary
	Mr. HUANG Xiaowen	Executive Vice President and a Party Committee member
	Mr. WANG Haimin	Executive Vice President and a Party Committee member
	Dr. CHUNG Shui Ming Timpson	External Director

Name of company	Name of Director	Position held by the Director in such company
COSCO SHIPPING Holdings	Mr. XU Lirong	Executive Director and Chairman of the Board
	Mr. HUANG Xiaowen	Executive Director and Vice Chairman of the Board
	Mr. WANG Haimin	General Manager, Executive Director and Deputy Party Secretary
	Mr. ZHANG Wei	Deputy General Manager, Executive Director and the Party Secretary
	Mr. YANG Liang Yee Philip	Independent Non-Executive Director
Faulkner Global Holdings Limited	Mr. WANG Haimin	Director
Shanghai International Port (Group) Co., Ltd.	Mr. YAN Jun	Director, President and Deputy Party Secretary
Silk Road Fund Co., Ltd.	Ms. WANG Dan	Executive Vice President

3. DIRECTORS' SERVICE CONTRACTS

As at the date of this circular, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

4. SECRETARY

The Secretary of the Company is Ms. Lammy Chee Fun LEE, Barrister.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Mr. XU Lirong, Mr. HUANG Xiaowen, Mr. WANG Haimin and Mr. ZHANG Wei, Executive Directors of the Company, held directorships and/or senior management positions in China COSCO SHIPPING Corporation Limited, an indirect controlling shareholder of the Company, its subsidiaries or its associates which are engaged in the same business of container shipping, management and operation of container terminals and/or logistics services (the “Competing Companies”) as the Group.

As the Board of the Company is independent of the board of directors of the Competing Companies, the Directors of the Company are of the view that the Group is capable of carrying on its business independently of, and at arm’s length from the businesses of the Competing Companies.

Save as disclosed above, at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. OTHER INTERESTS OF DIRECTORS IN CONTRACTS

The Group shares the rental of office premises at Harbour Centre, Hong Kong on an actual cost reimbursement basis with Island Navigation Corporation International Limited (“INCIL”), which is owned by trusts related to Tung family members, to whom Mr. TUNG Lieh Cheung Andrew, Executive Director of the Company, is related.

The total amount of rental on an actual cost reimbursement basis paid by INCIL to the Group for the year ended 31 December 2018 was approximately US\$1,621,000.

Except for the above (other than contracts amongst Group companies), no other contracts or arrangements of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted as at the date of this circular.

8. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement, the terms of which are set out in this circular, the Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders during normal business hours at the principal office of the Company in Hong Kong at 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on weekdays other than Saturdays and public holidays from the date of this circular up to and including 14 August 2019:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the Sale and Purchase Agreement referred to in the paragraph headed “Material Contracts” in this Appendix;
- (c) the annual reports of the Company for each of the two financial years ended 31 December 2017 and 2018; and
- (d) this circular.

11. MISCELLANEOUS

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office of the Company is located at 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal registrar of the Company is MUFG Fund Services (Bermuda) Limited at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda and the branch registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

The English text of this circular shall prevail over the Chinese text.