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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)

**REVISED ANNUAL CAPS
FOR EXISTING CONTINUING CONNECTED TRANSACTIONS**

REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement in relation to the continuing connected transactions between OOIL Group and COSCO SHIPPING Group contemplated under, among other things, the Business Master Agreement and the Bunker Master Agreement.

As disclosed in the Announcement, the Company and COSCO SHIPPING entered into (i) the Business Master Agreement for the provision of containerized liner, logistics and information technology services between OOIL Group and COSCO SHIPPING Group; and (ii) the Bunker Master Agreement for the purchase of bunker, fuel and oil by OOIL Group from COSCO SHIPPING Group, both for a term of three years from 1 January 2020 to 31 December 2022.

The Board anticipated that the Existing Logistics Caps and the Existing Bunker Caps will not be sufficient to meet the relevant expected transactions and business growth for the financial years ending 31 December 2020, 2021 and 2022. The Board has resolved to increase (subject to independent shareholders' approval where necessary) the Existing Logistics Caps and the Existing Bunker Caps, while all the terms of the Business Master Agreement and the Bunker Master Agreement remain unchanged.

LISTING RULES IMPLICATIONS

COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, members of COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Business Master Agreement and the Bunker Master Agreement constitute the continuing connected transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules, where applicable to the respective annual caps for the continuing connected transactions under the Business Master Agreement and the Bunker Master Agreement, before such caps are exceeded.

As the highest of the applicable percentage ratios in respect of the Revised Logistics Caps exceeds 0.1% but is less than 5%, the Revised Logistics Caps are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

As the highest of the applicable percentage ratios of the Proposed Revised Bunker Caps exceeds 5%, the Proposed Revised Bunker Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all 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 Proposed Revised Bunker Caps and on how to vote on the resolution in respect of the Proposed Revised Bunker Caps 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 Proposed Revised Bunker Caps, 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

Reference is made to the Announcement in relation to the continuing connected transactions between OOIL Group and COSCO SHIPPING Group contemplated under, among other things, the Business Master Agreement and the Bunker Master Agreement.

As disclosed in the Announcement, the Company and COSCO SHIPPING entered into (i) the Business Master Agreement for the provision of containerized liner, logistics and information technology services between OOIL Group and COSCO SHIPPING Group; and (ii) the Bunker Master Agreement for the purchase of bunker, fuel and oil by OOIL Group from COSCO SHIPPING Group, both for a term of three years from 1 January 2020 to 31 December 2022.

The Board anticipated that the Existing Logistics Caps and the Existing Bunker Caps will not be sufficient to meet the relevant expected transactions and business growth for the financial years ending 31 December 2020, 2021 and 2022. The Board has resolved to increase (subject to independent shareholders' approval where necessary) the Existing Logistics Caps and the Existing Bunker Caps, while all the terms of the Business Master Agreement and the Bunker Master Agreement remain unchanged.

The actual transaction amounts under the Business Master Agreement and the Bunker Master Agreement from 1 January 2020 (i) up to the date of this announcement did not exceed the Existing Logistics Caps and the Existing Bunker Caps for the year ending 31 December 2020; and (ii) it is currently anticipated that such amounts up to the date of the SGM seeking the approval of the Proposed Revised Bunker Caps will not exceed the relevant Existing Bunker Caps.

HISTORICAL TRANSACTION AMOUNTS AND REVISED ANNUAL CAPS FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2020, 2021 and 2022

The table below sets out the historical transaction amounts and the annual caps for the relevant transactions contemplated under the Business Master Agreement and the Bunker Master Agreement:

(i) Provision of logistics services by COSCO SHIPPING Group to OOIL Group under the Business Master Agreement

Historical transaction amounts	:	1 July 2018 to 31 December 2018: US\$2,695,000 1 January 2019 to 31 December 2019: US\$8,640,000 1 January 2020 to 30 September 2020: US\$11,577,000
Existing Logistics Caps for the financial years ending	:	2020: US\$15,000,000 2021: US\$19,000,000 2022: US\$23,000,000
Revised Logistics Caps for the financial years ending	:	2020: US\$26,000,000 2021: US\$34,000,000 2022: US\$44,000,000

The Revised Logistics Caps are determined by reference to (i) the existing scale and operations of OOIL Group's business and the business plan of OOIL Group; (ii) the anticipated growth and development of OOIL Group under COSCO SHIPPING Group; (iii) the anticipated achievement in synergies and better operational efficiency growth between OOIL Group and COSCO SHIPPING Group; and (iv) the anticipated increase in energy costs and interest costs when the global economy resumes and normalizes after absorbing the impacts of COVID-19, and the global environment in our industry; against the historical amounts of the transactions relating to the provision of logistics services by COSCO SHIPPING Group to OOIL Group under the previous business master agreement dated 24 July 2018 and the Business Master Agreement for the periods set out above from 1 July 2018 to 30 September 2020.

(ii) Purchase of bunker, fuel and oil by OOIL Group from COSCO SHIPPING Group under the Bunker Master Agreement

Historical transaction amounts	:	1 July 2018 to 31 December 2018: US\$133,078,000 1 January 2019 to 31 December 2019: US\$230,280,000 1 January 2020 to 30 September 2020: US\$90,753,000
Existing Bunker Caps for the financial years ending	:	2020: US\$120,000,000 2021: US\$120,000,000 2022: US\$120,000,000
Proposed Revised Bunker Caps for the financial years ending	:	2020: US\$135,000,000 2021: US\$370,000,000 2022: US\$410,000,000

The Proposed Revised Bunker Caps are determined by reference to (i) the existing scale and operations of OOIL Group's business and the business plan of OOIL Group, and the resumption of purchase of Low Sulphur Fuel from COSCO SHIPPING Group in the financial years 2021 and 2022 when compared with 2020, as explained in the section headed "*Reasons for and Benefits for the Revision of Annual Caps*" below; (ii) the anticipated growth and development of OOIL Group under COSCO SHIPPING Group; (iii) the anticipated achievement in synergies and better operational efficiency growth from efficient bunkering facilities of COSCO SHIPPING Group at various ports in the PRC that complement the Group's trades and services to China; and (iv) the anticipated increase in energy costs and interest costs when the global economy resumes and normalizes after absorbing the impacts of COVID-19, and the global environment in our industry; against historical amounts of similar transactions under the previous bunker master agreement dated 24 July 2018 and the Bunker Master Agreement for the periods set out above from 1 July 2018 to 30 September 2020.

REASONS FOR AND BENEFITS FOR THE REVISION OF ANNUAL CAPS

The COVID-19 pandemic has brought unprecedented impact to the global economy; and despite the containment measures taken by the respective governments, we note that logistics business has continued to play a pivotal role in the transportation and in the provision of the logistics services to consumers amid this challenging time. In anticipation of the COVID-19 vaccines being available in 2021 and the potential gradual recovery of consumers' demand and in the manufacturing and logistics activities in 2021, there is a strong expectation of global economy rebound coupled with the different relief measures devised by the governments across the globe, consumers' demands would continue and would improve logistics demand including the e-commerce market in the coming years, in particular in China's market. In view of the positive logistics market outlook, and the synergistic, co-operation opportunities and closer integration of operations between OOIL Group and COSCO SHIPPING Group, the provision of the logistics services would be expanded to cover more Asian countries. It is anticipated that the Existing Logistics Caps will not be sufficient to meet the relevant expected transactions and business growth for the financial years ending 31 December 2020, 2021 and 2022. The Existing Logistics Caps have therefore been increased to the Revised Logistics Caps.

As of 1 January 2020, when the use of Low Sulphur Fuel became mandatory, the Group deployed a bunker supply plan that had switched significant volume from China to Singapore, until the Group is assured of the quality and quantity of Low Sulphur Fuel from China. Over the course of 2020, it has been established that China's quality is good, and supply of Low Sulphur Fuel is steady and was offered at competitive price. This allowed the Group to revert to previous supply pattern which is consistent with its vessels deployment in China. Following the recent review of the Group's bunker requirement and operation environment, and taking into consideration that COSCO SHIPPING Group has met the Group requirements on both the quality and quantity of Low Sulphur Fuel which was offered at competitive cost than other independent suppliers, the Company has decided to increase the Existing Bunker Caps in pursuit of the Group's operation needs and strategy.

The containment measures taken for the COVID-19 have caused disruptions to the supply chain network, transportation, logistics and related activities. In anticipation of the COVID-19 vaccines being available in 2021 and the potential gradual recovery of consumers' demand and in the manufacturing and logistics activities in 2021, there is a strong expectation of an increase in cargo volumes leading to an increase in the consumption of oil, and international crude oil price may have an upsurge, leading to the rebound of the bunker price to resume to or even surpass the bunker unit price before the outbreak of the pandemic.

In this connection, it is anticipated that the Existing Bunker Caps will not be sufficient to meet the relevant expected upsurges in business activities and oil price for the financial years ending 31 December 2020, 2021 and 2022. It is therefore proposed that the Existing Bunker Caps be increased to the Proposed Revised Bunker Caps, subject to the Independent Shareholders' approval.

The Board (except with respect to the Proposed Revised Bunker Caps, 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 continuing connected transactions contemplated under the Business Master Agreement and the Bunker Master Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the Business Master Agreement and the Bunker Master Agreement (including the Revised Logistics Caps and the Proposed Revised Bunker Caps) are fair and reasonable 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 Co., Ltd. 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 transactions (including the annual caps) contemplated under the Business Master Agreement and the Bunker Master Agreement and had abstained from voting on the relevant resolutions approving the Revised Logistics Caps and the Proposed Revised Bunker Caps 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 transactions (including the annual caps) contemplated under the Business Master Agreement and Bunker Master Agreement, and none of them had abstained from voting on the relevant resolutions.

LISTING RULES IMPLICATIONS

COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, members of COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Business Master Agreement and the Bunker Master Agreement constitute the continuing connected transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules, where applicable to the respective annual caps for the continuing connected transactions under the Business Master Agreement and the Bunker Master Agreement, before such caps are exceeded.

As the highest of the applicable percentage ratios in respect of the Revised Logistics Caps exceeds 0.1% but is less than 5%, the Revised Logistics Caps are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

As the highest of the applicable percentage ratios of the Proposed Revised Bunker Caps exceeds 5%, the Proposed Revised Bunker Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all 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 Proposed Revised Bunker Caps and on how to vote on the resolution in respect of the Proposed Revised Bunker Caps 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 Proposed Revised Bunker Caps, 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 Proposed Revised Bunker Caps at the SGM.

INTERNAL CONTROL PROCEDURES

Annual review by the auditors and Independent Non-Executive Directors, as part of the Group's internal controls systems, are in place to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy. Apart from this, the Company would:—

- identify and register the connected transactions in a system designed to track the connected transactions;
- carry out regular checking and reconciliation to ensure the completeness and accuracy of the connected transactions recorded in the system;
- report the transaction amounts monthly, so that the Group's management can be informed of the status of the connected transactions timely and assess if the transactions can be conducted within the relevant annual caps;
- examine the pricing of the transactions regularly to ensure that the connected transactions are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of OOIL Group, for the purchase or provision of similar goods or services from or to independent third parties; and
- in relation to each annual cap for the transactions under the Business Master Agreement and the Bunker Master Agreement, set appropriate internal monitoring limits, such that the Company will be alerted at appropriate times prior to reaching the relevant annual caps.

BUSINESS OF THE GROUP AND COSCO SHIPPING GROUP

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

According to the information provided by COSCO SHIPPING, and 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:

“Announcement”	the announcement of the Company dated 30 October 2019;
“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 Revised Logistics Caps and the Proposed Revised Bunker Caps;
“Bunker Master Agreement”	the master agreement dated 30 October 2019 and entered into between the Company and COSCO SHIPPING in relation to the purchase of bunker, fuel and oil by OOIL Group from COSCO SHIPPING Group;
“Business Master Agreement”	the master agreement dated 30 October 2019 and entered into between the Company and COSCO SHIPPING in relation to the provision of containerized liner, logistics and information technology services between OOIL Group and COSCO SHIPPING Group;
“Company”	Orient Overseas (International) Limited, a company incorporated in Bermuda with members’ limited liability and listed on the Main Board of The Stock Exchange of Hong Kong Limited (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);
“Directors”	the directors of the Company;

“Existing Bunker Caps”	the existing annual caps for the purchase of bunker, fuel and oil by OOIL Group from COSCO SHIPPING Group under the Bunker Master Agreement for the three years ending 31 December 2020, 2021 and 2022, as disclosed in the Announcement;
“Existing Logistics Caps”	the existing annual caps for the provision of logistics services by COSCO SHIPPING Group to OOIL Group under the Business Master Agreement for the three years ending 31 December 2020, 2021 and 2022, as disclosed in the Announcement;
“Faulkner”	Faulkner Global Holdings Limited, a company incorporated in the British Virgin Islands and a member of COSCO SHIPPING Group, directly holds 75% of the issued share capital of the Company;
“Group”	the Company and its subsidiaries;
“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 Proposed Revised Bunker Caps;
“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 Proposed Revised Bunker Caps;
“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 of the Company other than those who are members of COSCO SHIPPING Group;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited;
“OOIL Group”	the Company and its subsidiaries and associates (as defined under the Listing Rules);
“PRC”	the People’s Republic of China;

“Proposed Revised Bunker Caps”	the proposed revised annual caps for the purchase of bunker, fuel and oil by OOIL Group from COSCO SHIPPING Group under the Bunker Master Agreement for the three years ending 31 December 2020, 2021 and 2022, which is subject to the independent shareholders’ approval at the SGM;
“Revised Logistics Caps”	the revised annual caps for the provision of logistics services by COSCO SHIPPING Group to OOIL Group under the Business Master Agreement for the three years ending 31 December 2020, 2021 and 2022;
“SGM”	the special general meeting of the Company to be held to consider, and if thought fit, approve, among other things, the Proposed Revised Bunker Caps;
“Shareholders”	holder(s) of the share(s) of the Company;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules; and “subsidiary” means any one of them;
“US\$”	United States Dollars, the lawful currency of the United States; and
“%”	per cent.

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