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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)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION CONSTRUCTION OF TEN VESSELS**

#### **CONSTRUCTION OF TEN VESSELS**

On 2 September 2021, the Buyers, ten 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\$1,575.80 million (equivalent to approximately HK\$12,291.24 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 Shipbuilding Contracts are entered into with entities connected with each other, the transactions contemplated under the Shipbuilding Contracts are aggregated as one transaction under Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction exceeds 5% but all are less than 25%, the Transaction constitutes a discloseable 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 other things, 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 27 September 2021 as additional time is required to prepare certain information in the circular.
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## **BACKGROUND**

On 2 September 2021, the Buyers, ten 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 a consideration of US\$157.58 million (equivalent to approximately HK\$1,229.12 million) for each Vessel and for an aggregate consideration of US\$1,575.80 million (equivalent to approximately HK\$12,291.24 million) for all the Vessels. Among the Shipbuilding Contracts, (i) five of which were entered into with Nantong for the construction of the related five Vessels and (ii) five of which were entered into with Dalian for the construction of the related five Vessels.

## **FINANCE TERMS**

The Company currently envisages that not more than 60% of the contract price of each Vessel will be financed by bank financing with the financing guaranteed by the Company which will be finalised before the delivery of the Vessels, whilst the balance of the contract price will be funded from internal resources of the Group. 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 negotiation 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\$157.58 million (equivalent to approximately HK\$1,229.12 million) in cash in five instalments based on progress intervals on the construction of each Vessel, with smaller proportion of contract price payable in the first four instalments and the majority of the payment payable upon delivery of the Vessel. OOCL (Assets) Holdings Inc., an indirect wholly-owned subsidiary of the Company, as guarantor, has provided a letter of guarantee for each of the Vessels in favour of the respective Builders, guaranteeing the respective Buyers' payment obligation under the respective Shipbuilding Contracts as provided in the respective letters of guarantee.

The Vessels are expected to be delivered between the fourth quarter of 2024 and the fourth quarter of 2025 subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of approximately US\$9.63 million per Vessel for delay in delivery payable by the relevant Builder to the relevant Buyer) as provided in each of the Shipbuilding Contracts.

In the event that any of the Shipbuilding Contracts is terminated by the relevant Buyer in accordance with the specific terms thereof, the relevant Builder shall refund to the relevant Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof.

## REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction is in line with the 14th Five Year Plan of the Group, which would, among other things, increase the fleet capacity of the Group and consolidate its position in the first echelon of the industry. The increase of self-owned vessels as a result of the Transaction would complement the Group's long term strategic development and growth plan to meet market demand in the future. The Group would also benefit from the optimization of its fleet structure and the reduction of its reliance on the vessel charter market. In addition, the Vessels under the Transaction would increase the average container space per vessel of the Group, driving economies of scale, whereby a higher container space per vessel would result in a lower cost per container, enhancing the operating cost competitiveness of the Group. The Vessels will be equipped with energy saving and emission reduction technologies, which will generate cost advantages as well as help in environmental protection.

Based on the Group's evaluation on price, technical competency and delivery schedule, each of Nantong's and Dalian's offers is optimal during the negotiation process amongst the major shipbuilders 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 twelve mega-sized 23,000 TEU vessels ordered by the Group in 2020 (the "2020 Vessels") and engaging the same Builders will provide synergy in construction. After being engaged to construct the 2020 Vessels, the Builders have gained an improved understanding of the Group's operational and technical specifications, requirements and standard for its newbuildings. The Company understood that the Builders have open docks and capacity for new orders of NeoPanamax 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. 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, an Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING; Mr. Yang Liang Yee Philip, an Independent Non-Executive Director of the Company, was an independent non-executive director of COSCO SHIPPING Ports Limited; and Ms. Chen Ying, the Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING (Guangzhou) Co., Ltd. and 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 Shipbuilding Contracts are entered into with entities connected with each other, the transactions contemplated under Shipbuilding Contracts are aggregated as one transaction under Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction exceeds 5% but all are less than 25%, the Transaction constitutes a discloseable 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 other things, 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 27 September 2021 as additional time is required to prepare certain information in the circular.

Faulkner, being a member of the COSCO SHIPPING Group and therefore having material interest in the Transaction, will abstain from voting on the relevant resolution in respect thereof at the SGM. As at the date of this announcement, Faulkner directly held 73.66% of the issued share capital of the Company. To the best knowledge of the Directors, as at the date of this announcement, save as disclosed above, no other shareholders are required to abstain from voting on the resolution proposed 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 20 August 2021 for approving, among other things, the Transaction;
“Builders”	Dalian and Nantong;
“Buyers”	Newcontainer No.128 (Marshall Islands) Shipping Inc. (“NC128”), Newcontainer No.129 (Marshall Islands) Shipping Inc. (“NC129”), Newcontainer No.130 (Marshall Islands) Shipping Inc. (“NC130”), Newcontainer No.131 (Marshall Islands) Shipping Inc. (“NC131”), Newcontainer No.132 (Marshall Islands) Shipping Inc. (“NC132”), Newcontainer No.133 (Marshall Islands) Shipping Inc. (“NC133”), Newcontainer No.134 (Marshall Islands) Shipping Inc. (“NC134”), Newcontainer No.135 (Marshall Islands) Shipping Inc. (“NC135”), Newcontainer No.136 (Marshall Islands) Shipping Inc. (“NC136”), and Newcontainer No.137 (Marshall Islands) Shipping Inc. (“NC137”), 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 73.66% 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), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), 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;
“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 the Transaction;

“Shareholders”	holder(s) of the share(s) of the Company;
“Shipbuilding Contracts”	the following ten shipbuilding contracts all dated 2 September 2021, each of which relates to one Vessel and contains substantially the same terms: (i) five shipbuilding contracts entered into by Nantong with each of NC128, NC129, NC130, NC131 and NC132 respectively in respect of the five related Vessels; and (ii) five shipbuilding contracts entered into by Dalian with each of NC133, NC134, NC135, NC136 and NC137 respectively in respect of the five 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”	ten units of 16,000 TEU container vessels, five of which will be constructed by Nantong and five 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\$7.80.

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

Hong Kong, 2 September 2021

As at the date of this announcement, the Directors of the Company are:

Executive Directors:	Mr. XU Lirong, Mr. HUANG Xiaowen, Mr. YANG Zhijian and Mr. FENG Boming
Non-Executive Directors:	Mr. TUNG Lieh Cheung Andrew, Mr. YAN Jun, Ms. WANG Dan and Mr. IP Sing Chi
Independent Non-Executive Directors:	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*