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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

Reference is made to 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 LBCT LLC.

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 relating to the sale and purchase of the entire Interests in LBCT LLC (the “**Target**”) (a wholly beneficially owned subsidiary of the Company) for the Consideration of US\$1.78 billion (equivalent to approximately HK\$13.973 billion) (subject to certain post-Completion adjustments).

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.

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 intends to obtain 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.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further information on the Transaction should be despatched within 15 business days after publication of this announcement (i.e. on or before 22 May 2019). As more time is required to prepare the information to be included in the circular, the Company intends to apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date on or before 21 June 2019.

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.

BACKGROUND

Reference is made to the Joint Announcement dated 7 July 2018 in relation to the proposed sale of the Long Beach Terminal Business jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and the Company.

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. OOCL and LBCTI 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 based on the actual working capital, cash, debt and transaction expenses as at Completion.

The Consideration was determined through arms-length negotiations between the Company and the Purchaser following the selection of the Purchaser as the preferred bidder through a competitive auction process.

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 U.S. Departments of Homeland Security and Justice and/or the Committee on Foreign Investment in the U.S. (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, shall have been obtained, not subject to any adverse condition (as defined in the Sale and Purchase Agreement) and shall not have been revoked;
- (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.

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.

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.

INFORMATION ON 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).

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 announcement, 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.

REASONS FOR, BENEFITS OF AND FINANCIAL EFFECT OF THE TRANSACTION

The reasons and background for the Sale are set out in the Joint Announcement. 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 (as defined in the Joint Announcement).

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.

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.

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 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.

Further information regarding the financial effect of the Transaction will be included in the circular.

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.

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 \$A185.9 billion in assets, including 161 portfolio businesses, ~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 intends to obtain 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.

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DEFINITIONS

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

“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”	means 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”	means 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;
“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”	means Faulkner and Shanghai Port Group (BVI) Development Co., Limited (上港集團BVI 發展有限公司);
“J.P. Morgan”	means J.P. Morgan Securities (Asia Pacific) Limited;
“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;
“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 announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

“Purchaser”	Olivia Holdings LLC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 April 2019 entered into between 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;
“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 announcement;
“Terminal Services Agreement”	the Terminal Services Agreement in the agreed form to be entered into between OOCL, OOCL Assets and the Target on the Completion Date;
“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 of America;
“U.S.” or “United States”	United States of America;
“%”	per cent; and
“\$A”	Australian Dollars, the lawful currency of Australia.

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

By order of the Board
Orient Overseas (International) Limited
Lammy LEE
Company Secretary

Hong Kong, 29 April 2019

As at the date of this announcement, our Executive Directors are Messrs. XU Lirong, HUANG Xiaowen, WANG Haimin, ZHANG Wei and TUNG Lieh Cheung Andrew; our Non-Executive Directors are 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, Professor WONG Yue Chim Richard, Dr. CHUNG Shui Ming Timpson, Mr. YANG Liang Yee Philip and Ms. CHEN Ying.

** For identification only*

website: <http://www.ooilgroup.com>