
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 Singamas Container Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The logo for SINGAMAS, featuring the word "SINGAMAS" in a bold, red, sans-serif font. The text is centered between two horizontal blue bars.

勝獅貨櫃企業有限公司

SINGAMAS CONTAINER HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 716

CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 4 to 14 of this circular and a letter from the Independent Board Committee is set out on page 15 of this circular. A letter from Yue Xiu Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 33 of this circular.

A notice convening the General Meeting to be held at 24/F, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Friday, 10 December 2021 at 11:00 a.m. is set out on pages 41 to 42 of this circular. Whether or not you are able to attend the General Meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the General Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

Taking into account the development of the COVID-19 coronavirus, the Company will implement the following prevention and control measures at the General Meeting to protect our shareholders from the risk of infection (details can be found in Note 4 of the Notice of General Meeting):

- **compulsory body temperature check**
- **wearing of surgical mask**
- **no distribution of gift and no refreshment**

Attendees who do not comply with the precautionary measures or are subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company would like to encourage Shareholders to exercise their right to vote at the General Meeting by appointing the Chairman of the General Meeting as their proxy instead of attending the General Meeting in person.

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DEFINITIONS

In this circular, other than in the notice of General Meeting, the following expressions have the following meanings, unless the context otherwise requires:

“Annual Cap”	the maximum aggregate sales value in respect of the Transactions for the financial year ending 31 December 2022
“Board”	the board of Directors
“Company”	Singamas Container Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 716)
“Deed”	the settlement deed dated 4 November 2020 between the Company and PIL in relation to the repayment schedule for certain trade receivables and interests due from the PIL Group to the Group, details of which were disclosed in the announcement of the Company dated 4 November 2020 and the circular of the Company dated 24 November 2020
“Director(s)”	the director(s) of the Company
“Equipment”	including but not limited to dry freight containers, collapsible flatrack containers, open top containers, bitainers, tank containers, offshore containers, other specialised containers and other relevant products
“General Meeting”	a general meeting of the Company to be held on 10 December 2021, notice of which is set out on pages 41 to 42 of this circular, including any adjournment thereof for the Independent Shareholders to consider, and if thought fit, approve the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap)
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising Messrs. Cheng Fu Kwok, David, Lau Ho Kit, Ivan and Ho Teck Cheong, all being independent non-executive Directors, which is formed to advise the Independent Shareholders in respect of the Master Purchase Contract 2022 and the Transactions contemplated thereunder and each of them does not have any material interest in the Master Purchase Contract 2022
“Independent Financial Adviser” or “Yue Xiu Capital”	Yue Xiu Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Contract 2022
“Independent Shareholders”	Shareholders other than those who have a material interest in the Master Purchase Contract 2022 and the Transactions contemplated thereunder
“Latest Practicable Date”	22 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Contract 2018”	the master purchase contract dated 30 October 2017, which was approved by the Shareholders on 12 December 2017, and entered into between the Company (for and on behalf of the Group) and PIL (for and on behalf of PIL Group) with a term commencing from 1 January 2018 to 31 December 2020
“Master Purchase Contract 2021”	the master purchase contract dated 23 June 2021, which was approved by the Independent Shareholders on 30 July 2021, and entered into between the Company (for and on behalf of the Group) and PIL (for and on behalf of PIL Group) with a term commencing from 23 June 2021 to 31 December 2021
“Master Purchase Contract 2022”	the conditional master purchase contract dated 2 November 2021 subject to the approval of the Independent Shareholders at the General Meeting, and entered into between the Company (for and on behalf of the Group) and PIL (for and on behalf of PIL Group) with a term commencing from 1 January 2022 to 31 December 2022
“PIL”	Pacific International Lines (Private) Limited, a company incorporated in the Republic of Singapore

DEFINITIONS

“PIL Group”	PIL together with its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the continuing connected transactions between the Group and PIL Group to be occurred on a recurring basis and all the transactions contemplated under the Master Purchase Contract 2022
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this circular, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For the purposes of illustration in this circular only and unless otherwise specified, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.8.

LETTER FROM THE BOARD



SINGAMAS

勝獅貨櫃企業有限公司
SINGAMAS CONTAINER HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 716

Executive Directors:

Mr. Teo Siong Seng

(Chairman and Chief Executive Officer)

Mr. Chan Kwok Leung

(Chief Operating Officer)

Ms. Chung Pui King, Rebecca

(Chief Financial Officer and Company Secretary)

Registered Office:

19th Floor,

SUP Tower,

75–83 King's Road,

Hong Kong

Non-executive Directors:

Mr. Tan Chor Kee

Mr. Kwa Wee Keng

Independent Non-executive Directors:

Mr. Cheng Fu Kwok, David

Mr. Lau Ho Kit, Ivan

Mr. Ho Teck Cheong

25 November 2021

To the Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Board announced on 2 November 2021 that the Company (for and on behalf of the Group) entered into the Master Purchase Contract 2022 with PIL (for and on behalf of PIL Group) on 2 November 2021 for the sales of Equipment by the Group to PIL Group. The Master Purchase Contract 2022 is subject to the approval of the Independent Shareholders and will take effect from 1 January 2022 and expire on 31 December 2022. The Master Purchase Contract 2022 is to replace the Master Purchase Contract 2021 which will expire on 31 December 2021.

LETTER FROM THE BOARD

At the Latest Practicable Date, PIL is the controlling shareholder of the Company, as defined under the Listing Rules, thus, PIL is a connected person of the Company. The Master Purchase Contract 2022 involves transactions, which will occur on a recurring basis over a period of time; accordingly, the Transactions will constitute continuing connected transactions of the Company. The Transactions are subject to the approval of the Independent Shareholders at the General Meeting.

The Transactions under the Master Purchase Contract 2022 constitute non-exempt continuing connected transactions of the Company, and the Company is required to comply with the annual review, annual reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions. Please refer to the section headed "Listing Rules Implications" below.

The purpose of this circular is to provide Shareholders with relevant information relating to the Transactions as well as the resolution to be proposed at the General Meeting, notice of which is set out on pages 41 to 42 of this circular. The advice of the Independent Board Committee to the Independent Shareholders regarding their view on the Master Purchase Contract 2022, the Transactions contemplated thereunder as well as the Annual Cap applicable thereto is set out on page 15 of this circular. A copy of the letter from Yue Xiu Capital to the Independent Board Committee and Independent Shareholders containing its advice in relation to the terms of the Master Purchase Contract 2022, the Transactions contemplated thereunder as well as the Annual Cap is set out on pages 16 to 33 of this circular.

MASTER PURCHASE CONTRACT 2022

The salient terms and conditions of the Master Purchase Contract 2022 are described below.

Date:

2 November 2021

Parties:

The Seller:
The Company (on behalf of the Group)

The Buyer:
PIL (on behalf of PIL Group)

LETTER FROM THE BOARD

Scope/Consideration

Pursuant to the Master Purchase Contract 2022, the Group will enter into individual purchase order agreement(s) with PIL Group for the provision of Equipment by the Group to PIL Group. Each individual purchase order agreement will specify and stipulate the specific terms and the operative provisions, including but not limited to the size and type, unit price, quantity and delivery time and location of the Equipment, which may cover dry freight containers, collapsible flatrack containers, open top containers, bitainers, tank containers, offshore containers and other specialised containers.

None of the Equipment under the Master Purchase Contract 2022 has a fixed unit price as there may be material fluctuations in production costs for the Equipment, in particular, costs of raw materials and labour cost, which are contingent upon the prevailing market price. Neither is there a published reference price for the Equipment under the Master Purchase Contract 2022 as there is no widely accepted industry standard price on the Equipment and there is no sufficiently representative published data on the market price of similar equipment. Given the above, the unit price of the Equipment under each individual purchase order agreement will be determined on a cost plus reasonable profits basis (and hence the said pricing policy applies to all such Equipment), where such markup will take into account, among other things, the market demand and supply dynamics at the time when quotations are made and the prevailing market price and value of products that are of similar nature of the Equipment (if available) and in any event not lower than the markup of the Equipment (or products of similar nature of the Equipment) sold by the Group to independent third party customers. Up to the Latest Practicable Date, gross profit margin for the Equipment sold to PIL Group under the term of the Master Purchase Contract 2021 was approximately 35%. General increase in market demand for the Equipment in 2021 led to the selling price increases. Gross profit margin for the Equipment sold to PIL Group under the Master Purchase Contract 2021 was much higher than the gross profit margin for the Equipment sold under the Master Purchase Contract 2018 ranging from 0.04% to 17.14%¹. Due to the fluctuating demand for the Equipment, there is no guarantee that the gross profit margin for the Equipment to be sold to the PIL Group pursuant to the Master Purchase Contract 2022 could maintain the same recorded under the Master Purchase Contract 2021. Such market prices will be observed through, among other things, recent transactions of the Group. The final price under each individual purchase order agreement will be determined on an arm's length basis between the Group and PIL Group provided that the parties may negotiate on a case-by-case basis but in any event will be no less favourable to the Group than those offered to other independent third party customers of the Group for the similar nature and value of the Equipment and the industry practices.

Before determining the unit price for the Equipment under Master Purchase Contract 2022 and signing any individual purchase order agreement, the relevant officers of the Group would also review the terms of purchase orders entered into between independent third party customers and the Group of similar quantities, nature or values of the Equipment at the relevant time and calculate the gross profit margins based on such purchase orders. The relevant officers would then compare the gross profit margin that can be achieved by selling the Equipment to PIL and to independent third party customers to ensure that the gross profit margin from the sale of the Equipment to PIL is reasonable and ensure that the gross profit margin from sales of Equipment to PIL is generally in line with industry practices and is no less favourable to the Group than those offered to other independent third party customers at the relevant time with similar quantities and nature. So far as the Directors are aware, it is an industry practice to adopt a cost-plus pricing model to determine the price as well as the gross profit margin for the Equipment.

¹ The gross profit margin ranging from 0.04% to 17.14% represented the gross profit margin for 40-foot high cube dry freight containers (the "40' HC Containers"), which accounted for more than 70% of all Equipment sold to the PIL Group under the Master Purchase Contract 2018. 40' HC Containers accounted for the entire sale transactions under the Master Purchase Contract 2021 and would expect to be continued as the majority of the sale transactions under the Master Purchase Contract 2022.

LETTER FROM THE BOARD

The Board considers that the said methods and procedures can ensure that the Transactions be conducted on normal commercial terms and on terms no less favourable to the Group than those offered by the Group to independent third party customers and are not prejudicial to the interests of the Company and the Shareholders.

The payment for the Transactions contemplated under the Master Purchase Contract 2022, unless otherwise stipulated in the relevant individual purchase order agreement, shall be paid in the following manner: (a) upon signing the individual purchase order agreement, PIL Group shall pay a cash deposit of 25% of the total transaction amount under such agreement; and (b) PIL Group shall pay the remaining amount (i.e. 75% of the said total transaction amount) before delivery or 15 days after technical acceptance of the relevant Equipment has been confirmed by the PIL Group to the Group, whenever is earlier. The title to the Equipment shall pass from the Group to PIL Group upon receipt of full payment of the relevant Equipment.

Term

Subject to the Independent Shareholders' approval, the Master Purchase Contract 2022 will be for a term commencing from 1 January 2022 and expiring on 31 December 2022. During the effective term of the Master Purchase Contract 2022, either the Company (on behalf of the Group) or PIL (on behalf of PIL Group) may terminate the Master Purchase Contract 2022 by giving 30 days' written notice to the other party.

Historical figures, previous and existing annual caps and proposed Annual Cap

The table below sets out (i) the historical figures and the previous annual caps under the Master Purchase Contract 2018 for each of financial years ended 31 December 2019 and 2020; (ii) the historical transaction amount and the existing annual cap under the Master Purchase Contract 2021 for the year ending 31 December 2021; and (iii) the proposed Annual Cap for the year ending 31 December 2022 under the Master Purchase Contract 2022:

Year ended 31 December 2019		Year ended 31 December 2020		Year ending 31 December 2021 (For the period from 23 June 2021 (being the effective date of the Master Purchase Contract 2021) to 31 December 2021)		Year ending 31 December 2022 Proposed Annual Cap
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount <i>(Note)</i>	Annual Cap
US\$150,000,000 (equivalent to approximately HK\$1,170,000,000)	US\$29,140,000 (equivalent to approximately HK\$227,292,000)	US\$155,000,000 (equivalent to approximately HK\$1,209,000,000)	US\$Nil (equivalent to approximately HK\$Nil)	US\$66,000,000 (equivalent to approximately HK\$514,800,000)	US\$65,705,000 (equivalent to approximately HK\$512,499,000)	US\$66,300,000 (equivalent to approximately HK\$517,140,000)

Note: The actual amount of US\$65,705,000 during the term of the Master Purchase Contract 2021 represents: (i) the total value of equipment sold by the Group to PIL Group of US\$19,890,000; and (ii) the value of unproduced purchase orders entered into between the Group and PIL Group of approximately US\$45,815,000.

LETTER FROM THE BOARD

The proposed Annual Cap of the Transactions for the financial year ending 31 December 2022 is US\$66,300,000 (equivalent to approximately HK\$517,140,000).

The low aggregate sales value to PIL Group for 2019 and nil sales transaction for 2020 were mainly due to the fact that PIL Group was in financial difficulties in the last two years. With a view to mitigating the credit risk, the sale of the Equipment by the Group to PIL Group has been put on hold since second quarter of 2019. The Group resumed the sale of the Equipment to PIL Group in 2021 by signing the Master Purchase Contract 2021 with PIL Group. Payment terms under the Master Purchase Contract 2021 have been amended to mitigate the credit risk on selling the Equipment to PIL Group. According to the finance records, PIL Group settled all the sales transactions conducted under the Master Purchase Contract 2021 according to the payment terms set forth under the contract. According to the Master Purchase Contract 2022, the PIL Group shall pay for the Transactions contemplated under the Master Purchase Contract 2022 of which (i) 25% of the total transaction amount under each individual purchase order agreement shall be paid as a cash deposit upon the signing of such individual purchase order agreement, and (ii) 75% of the remaining total transaction amount under such individual purchase order agreement shall be paid before delivery or 15 days after technical acceptance of the relevant Equipment has been confirmed by the PIL Group to the Group, whenever is earlier, unless otherwise stipulated in the relevant individual purchase order agreement. No credit term is contemplated to be given by the Group to the PIL Group pursuant to the Master Purchase Contract 2022 except in the case where technical acceptance of the relevant Equipment under the corresponding individual purchase order agreement has been confirmed by the PIL Group, the PIL Group will only be required to pay the remaining 75% of the total transaction amount under the relevant individual purchase order agreement 15 days after such technical acceptance has been confirmed by the PIL Group to the Group as time is required for the Group to prepare and process payment documents for each individual purchase order agreement, but in any event such payment shall be made before delivery. In light of the above arrangement (i.e. payment shall be made no later than delivery), the Company considers that such arrangement shall mitigate the credit risk of the Group for the Transactions contemplated under the Master Purchase Contract 2022. In the event that any Equipment has been manufactured pursuant to an individual purchase order agreement but the PIL Group fails to pay for the remaining 75% of the remaining total transaction amount under such individual purchase order agreement, based on the current market conditions and demands and barring unforeseeable circumstances, it is currently expected that the Company will generally be able to re-sell such Equipment to other customers with certain modifications.

The Annual Cap is determined after taking into account: (i) the historical transaction amounts for each of the two years ended 31 December 2019 and 2020 and for the period from 23 June 2021 (being the effective date of the Master Purchase Contract 2021) up to the Latest Practicable Date as shown in the table above; (ii) the existing annual cap in respect of the transactions under the Master Purchase Contract 2021 for the financial year ending 31 December 2021 as shown in the table above; (iii) the Group being PIL Group's major supplier of the Equipment (whether directly or otherwise); (iv) estimated Equipment requirements of PIL Group during the term of the Master Purchase Contract 2022 as extracted from PIL's planned Equipment purchases from the Group for the year ending 31 December 2022. The planned Equipment purchases are calculated based on the replacement demand of PIL's existing Equipment and the expected growth of its business volume in certain shipping routes; and (v) the prevailing market prices of the Equipment in order to estimate the projected price for the year 2022.

LETTER FROM THE BOARD

Amounts due from PIL Group and the repayment arrangement

On 4 November 2020, in light of the financial difficulty of PIL at the time, the Company and PIL entered into the Deed in relation to the repayment schedule for trade receivables and interests then due from PIL to the Group, amounting to US\$149,696,984 in total (the “**Relevant Amount**”). Pursuant to the Deed, the Relevant Amount shall be repaid over a 10-year period at an interest rate of 1.5% per annum (the “**Ordinary Interest**”). Please refer to the Company’s circular dated 24 November 2020 (the “**2020 Circular**”) for further details of the Deed.

Set out below is the key unaudited consolidated financial information of PIL Group for the six months ended 30 June 2020 and for the year ended 31 December 2019, prepared in accordance with Singapore Financial Reporting Standards (International):

	For the financial year/period ended	
	31 December 2019	30 June 2020
	(US\$’000)	(US\$’000)
Cash and short-term deposits	218,718	159,045
Current assets	1,399,796	587,743
Current liabilities	2,288,268	2,526,044
Net loss after tax	850,079	119,913
Net cash outflow	9,806	59,642

As disclosed in the 2020 Circular, taking into account certain factors (as recapped below), as well as the global COVID-19 pandemic and the outlook of the global economy as a whole, the Directors at the time considered that the entering into of the Deed was in the interest of the Company and the Shareholders as whole. Below is extracted from the 2020 Circular in relation to the factors considered by the Directors at the time:

- The years 2018 to 2020 have been challenging years for the container shipping industry in which PIL Group is engaged, with the downturn further exacerbated by the prolonged impact of the COVID-19 pandemic. PIL was in discussions with its creditors amid this situation to re-profile its debts in order to bring its liabilities to a sustainable level (the “**PIL Debt Re-profiling**”). As advised by PIL, in addition to the interim funding already provided by Heliconia Capital Management Pte. Ltd. (a wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”)) (“**Heliconia**”) to PIL (through an entity controlled by Heliconia), PIL has substantially completed the negotiations with Heliconia and its financial lenders in relation to a final restructuring package involving, among other things, an investment by one or more entities managed and controlled directly or indirectly by Heliconia into PIL in conjunction with the restructuring of PIL’s existing debt obligations. PIL has also commenced the process to implement the PIL Debt Re-profiling with its creditors by way of a scheme of arrangement pursuant to Section 210 of the Companies Act (Chapter 50) of Singapore with its creditors.*

LETTER FROM THE BOARD

- *According to the Deed, the Group is entitled to recover the full amount of the Relevant Amount, together with interest, arising from the relevant outstanding receivables with a specified repayment schedule, without the need to convert such amount or any part thereof into perpetual securities of PIL (the “PIL Perps”) which would not be subject to any fixed maturity date i.e. no definitive repayment date or repayment schedule. In the absence of such proposal, under the scheme of arrangement as part of the PIL Debt Re-profiling, the claims of the Company (as one of the unsecured/under-secured creditors under such scheme) will be converted into PIL Perps. In this respect, the Company considers that, as a vendor of the PIL Group (as contrast from an investor or financier of the PIL Group), it is relatively desirable for the Relevant Amount to be repaid in full by way of a fixed repayment schedule as contemplated under the Deed, as compared to the conversion of such amount (either in full or reduced by half under the different options) into PIL Perps, taking into account the Deed provides certainty on the future cash flows to the Company with interest income; the outstanding amount under the Deed is senior to the PIL Perps and the amounts owed to the Company under the Deed will be fixed payments not subject to the debt service waterfall or PIL’s election to defer distribution. As such, the amounts owed to the Company under the Deed shall be treated in priority in right of payment vis-à-vis the PIL Perps.*
- *According to PIL, the PIL Debt Re-profiling coupled with a financing by a reputable investor, if consummated as contemplated, will strengthen PIL’s financial position and be beneficial to its stakeholders as a whole. PIL is also of the view that such a debt profiling and financing will also provide certainty to the Group in the recovery of the outstanding amount under a repayment schedule at a level sustainable to the PIL Group.*
- *The interest rate of the ordinary interest under the Deed was fair and reasonable and the Ordinary Interest represents a stable income for the Company.*

The Deed and all the transactions, arrangements and matters contemplated under the Deed had been approved by the independent shareholders at the extraordinary general meeting held on 11 December 2020.

As at the Latest Practicable Date, the total outstanding amount of trade receivables due from the PIL Group to the Group under the Deed was US\$149,696,984. The first scheduled repayment date pursuant to the Deed is 31 December 2021 where PIL Group shall repay a sum of US\$2,500,000 to the Group on such date.

As disclosed in the announcement of the Company dated 31 March 2021, the investment by one or more entities managed and controlled by Heliconia into PIL (directly or indirectly) was completed on 30 March 2021. As disclosed in the 2020 Circular, PIL considered that the additional financing provided by one or more entities managed and controlled by Heliconia and a recalibration of PIL’s capital structure would be necessary for PIL to continue operating as a going concern. So far as the Directors are aware, the completion of the investment by one or more entities managed and controlled by Heliconia into PIL (directly or indirectly) and the implementation of the debt re-profiling by PIL with its creditors as described in the 2020 Circular, among other things, have stabilised PIL’s financial situation.

LETTER FROM THE BOARD

INTERNAL CONTROL FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the finance department and management of the Group in charge to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

Prior to signing each purchase order with PIL Group, the marketing department will conduct research on the market demand and supply dynamics, and compare the terms and unit prices of the most recent three purchase orders of the Equipment of similar nature, values and quantities signed between the Group and independent third parties, where available, against the terms and unit price of the purchase order with PIL Group. In the absence of any comparable transaction, our market research unit under the marketing department will conduct market research of the unit price of the Equipment of similar nature, values and quantities of recent transactions conducted by other industry players based on market intelligence (including through discussions with customers or other market participants) and review whether the terms and unit price of the purchase order are determined based on an arm's length basis between the Group and PIL Group. The purchase order will then be submitted to the chief operating officer of the Group ("**Chief Operating Officer**") or his/her delegate for approval. The Chief Operating Officer or his/her delegate will compare the terms and unit price of the purchase order with PIL Group against the terms and unit prices of the most recent three purchase orders of the Equipment of similar nature, values and quantities signed between the Group and independent third parties, where available. In the absence of any comparable transaction, the Chief Operating Officer or his/her delegate will review the results of the market research conducted by the marketing department on the unit price of the Equipment of similar nature, values and quantities of recent transactions conducted by other industry players to determine whether the terms and unit price of the purchase order are determined based on an arm's length basis between the Group and PIL Group. The Chief Operating Officer or his/her delegate will approve the purchase order if he/she is satisfied that the terms and unit price from the sale of the Equipment to PIL Group is reasonable, no less favourable to the Group than those offered to independent third party customers of the Group, and generally in line with market demand and supply dynamics at the time and general industry practices.

The finance department and management of the Group will conduct half-yearly reviews and assess whether individual transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the Master Purchase Contract 2022 and will also regularly review whether the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy and no less favourable to the Group than those offered to independent third party customers of the Group. The finance department will conduct quarterly reviews of the purchase orders with PIL Group to ensure that the aggregate transaction amount of the purchase orders will not exceed the Annual Cap, and will alert the management of the Group if the aggregate transaction amount of the purchase orders reaches 80% of the Annual Cap.

The independent non-executive Directors will conduct an annual review of the transactions contemplated under all continuing connected transactions of the Company, and if necessary, recommend proposals to improve the above internal controls of the Group, and the auditors of the Group will also conduct an annual review on the pricing terms and annual caps thereof and report its findings to the Directors.

LETTER FROM THE BOARD

Accordingly, the Directors consider that the internal control mechanism of the Company is effective to ensure that the transactions contemplated under all continuing connected transactions have been and will be conducted on normal commercial terms and in accordance with the pricing policy of the Group and not prejudicial to the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND PIL GROUP

The Company is an investment holding company incorporated in Hong Kong and the business activities of the Group include: (i) manufacturing of dry freight containers, collapsible flat rack containers, open top containers, bitutainers, tank containers, offshore containers and other specialised containers and container parts; and (ii) provision of logistics services, including operating container depots and container logistics.

PIL is a company incorporated in Singapore with limited liability. Headquartered in Singapore, the PIL Group is a containership operator which offers container liner services and other logistics related services globally and operates a fleet of vessels.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER PURCHASE CONTRACT 2022

The Master Purchase Contract 2022 will provide the Group with additional and steady source of revenue from the sales of the Equipment in the ordinary course of business of the Group. The Directors (including the independent non-executive Directors, having received and considered the advice from Yue Xiu Capital) consider that the Master Purchase Contract 2022 and the Transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, the Master Purchase Contract 2022 (including the Annual Cup) has been entered into on normal commercial terms and on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

BOARD'S APPROVAL

The Board has approved the Master Purchase Contract 2022 and the Annual Cap. PIL, a company in which Mr. Teo Siong Seng is a director, is the controlling shareholder of the Company, as defined under the Listing Rules, and Messrs. Tan Chor Kee and Kwa Wee Keng, who are non-executive directors of the Company, are also senior executives of PIL. Accordingly, Messrs. Teo Siong Seng, Tan Chor Kee and Kwa Wee Keng had abstained from voting in the Board resolutions approving the Master Purchase Contract 2022, the Transactions contemplated thereunder as well as the Annual Cap applicable thereto. Save as disclosed above, none of the Directors has a material interest in the Transactions.

LISTING RULES IMPLICATIONS

PIL, a company in which Mr. Teo Siong Seng is a director, is the controlling shareholder of the Company, as defined under the Listing Rules. Accordingly, PIL is a connected person of the Company under the Listing Rules. The Master Purchase Contract 2022 involves transactions, which will occur on a recurring basis over a period of time; accordingly, the transactions constitute continuing connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

Each of the applicable percentage ratios (other than profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed Annual Cap for the Transactions exceeds 5%. Accordingly, the Transactions contemplated under the Master Purchase Contract 2022 are subject to annual reporting, announcement, circular (including independent financial advice), annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors, having received and considered the advice from Yue Xiu Capital) are of the opinion that the Transactions will be entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (or on terms no less favourable to the Group than terms available to third party customers); and (iii) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors, having received and considered the advice from Yue Xiu Capital) are also of the opinion that the Annual Cap is fair and reasonable.

The Company will seek the Independent Shareholders' approval of the Transactions at the General Meeting. Each of PIL and its associates which, in aggregate, held approximately 41.12% shareholding of the Company as at the Latest Practicable Date, will abstain from voting on the resolution in respect of the Transactions at the General Meeting. Mr. Teo Siong Seng (a director of PIL and an executive Director, the chairman of the Board and the chief executive officer of the Company), who held approximately 1.75% shareholding in the Company as at the Latest Practicable Date, will also abstain from voting on such resolution at the General Meeting. As at the Latest Practicable Date, Mr. Tan Chor Kee (a senior executive of PIL and a non-executive Director) had no shareholding in the Company but his spouse, who held 6,000 Shares, will abstain from voting on such resolution at the General Meeting. The Independent Board Committee has been set up to advise the Independent Shareholders in connection with the Transactions. The independent financial adviser, Yue Xiu Capital has been appointed for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders, on whether the Transactions are expected to be entered into in the ordinary and usual course of business of the Group and whether the Master Purchase Contract 2022 together with the Annual Cap are agreed on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL MEETING

A notice convening the General Meeting to be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Friday, 10 December 2021 at 11:00 a.m., at which an ordinary resolution will be proposed to approve the Master Purchase Contract 2022 and the Transactions contemplated thereunder as well as the Annual Cap applicable thereto as set out on pages 41 to 42 of this circular.

A proxy form for use at the General Meeting is enclosed. Whether or not you are able to attend the General Meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the General Meeting or any adjournment thereof (as the case may be). Completion and return of proxy form will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee comprising all independent non-executive Directors has been set up to advise the Independent Shareholders in connection with the Transactions. The independent financial adviser, Yue Xiu Capital has been appointed for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Contract 2022, the Transactions contemplated thereunder as well as the Annual Cap applicable thereto.

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendations to the Independent Shareholders as to voting at the General Meeting. Your attention is also drawn to the letter of advice received from Yue Xiu Capital which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Purchase Contract 2022, the Transactions contemplated thereunder as well as the Annual Cap applicable thereto. The letter from Yue Xiu Capital is set out on pages 16 to 33 of this circular.

The Directors (including the independent non-executive Directors, having received and considered the advice from Yue Xiu Capital) consider that the Transactions are expected to be entered into in the ordinary and usual course of business of the Group and the Master Purchase Contract 2022 together with the Annual Cap are agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, they recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Master Purchase Contract 2022 and the Transactions contemplated thereunder as well as the Annual Cap applicable thereto.

Your attention is also drawn to the general information set out in the Appendix I of this circular.

On behalf of the Board
Singamas Container Holdings Limited
Teo Siong Seng
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders in relation to the Master Purchase Contract 2022 and the Transactions contemplated thereunder.

The logo for SINGAMAS, featuring the word "SINGAMAS" in a bold, red, sans-serif font. The text is centered between two thick, horizontal blue bars.

勝獅貨櫃企業有限公司
SINGAMAS CONTAINER HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 716

25 November 2021

To the Independent Shareholders

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 25 November 2021 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Transactions and the Master Purchase Contract 2022 together with the Annual Cap, details of which are set out in the “Letter from the Board” in the Circular to the Shareholders.

Having taken into account of the advice of Yue Xiu Capital, we consider that the Transactions are expected to be entered into in the ordinary and usual course of business of the Group and the Master Purchase Contract 2022 together with the Annual Cap are agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Master Purchase Contract 2022 and the Transactions contemplated thereunder and the Annual Cap as set out in the notice of the General Meeting to be held on 10 December 2021.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of
Singamas Container Holdings Limited**

Cheng Fu Kwok, David

*Independent
Non-executive
Director*

Lau Ho Kit, Ivan

*Independent
Non-executive
Director*

Ho Teck Cheong

*Independent
Non-executive
Director*

LETTER FROM YUE XIU CAPITAL

The following is the text of a letter of advice from Yue Xiu Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap).



28/F., Siu On Centre,
188 Lockhart Road, Wanchai, Hong Kong

25 November 2021

*To: the Independent Board Committee and the Independent Shareholders of
Singamas Container Holdings Limited*

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 25 November 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 23 June 2021, the Company (for and on behalf of the Group) entered into the Master Purchase Contract 2021 with PIL (for and on behalf of PIL Group) for the sales of Equipment to PIL Group. The Master Purchase Contract 2021 will expire on 31 December 2021. On 2 November 2021, the Company (for and on behalf of the Group) entered into the Master Purchase Contract 2022 with PIL (for and on behalf of PIL Group), pursuant to which the Group will sell the Equipment to PIL Group. The Master Purchase Contract 2022 is subject to the approval of the Independent Shareholders and will take effect from 1 January 2022 and expire on 31 December 2022. The Master Purchase Contract 2022 is to replace the Master Purchase Contract 2021.

LETTER FROM YUE XIU CAPITAL

As at the Latest Practicable Date, PIL held approximately 41.12% of total issued shares of the Company and is the controlling shareholder of the Company as defined under the Listing Rules. Accordingly, PIL is a connected person of the Company under the Listing Rules. The Master Purchase Contract 2022 involves the Transactions which will occur on a recurring basis over a period of time and accordingly, they constitute continuing connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios (other than profit ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed Annual Cap for the Transactions exceeds 5%, the Transactions contemplated under the Master Purchase Contract 2022 are subject to annual reporting, announcement, circular (including independent financial advice), annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Each of PIL and its associates, which in aggregate held approximately 41.12% shareholding of the Company as at the Latest Practicable Date, will abstain from voting on the resolution in respect of the Transactions at the General Meeting. Mr. Teo Siong Seng (a director of PIL and an executive Director, the chairman of the Board and the chief executive officer of the Company), who held approximately 1.75% shareholding in the Company as at the Latest Practicable Date, will also abstain from voting on such resolution at the General Meeting. As at the Latest Practicable Date, Mr. Tan Chor Kee (a senior executive of PIL and a non-executive Director) had no shareholding in the Company but his spouse, who held 6,000 Shares, will abstain from voting on such resolution at the General Meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cheng Fu Kwok, David, Mr. Lau Ho Kit, Ivan and Mr. Ho Teck Cheong, has been established to advise the Independent Shareholders as to whether the Master Purchase Contract 2022 has been entered into on normal commercial terms, whether the terms of the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Yue Xiu Capital did not have any relationships or interests with the Company or PIL that could reasonably be regarded as a hindrance to our independence under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap). In the past two years, Yue Xiu Capital acted as the independent financial adviser to the then independent board committee and independent shareholders in relation to the Master Purchase Contract 2021 and the transactions contemplated thereunder (details of which were disclosed in the circular of the Company dated 13 July 2021). The past engagement was limited to providing independent advisory services to the then independent board committee and independent shareholders of the Company pursuant to the Listing Rules, of which Yue Xiu Capital received normal professional fees from the Company. Notwithstanding the abovementioned past engagement, as at the Latest Practicable Date, there has been no other engagement between the Group and Yue Xiu Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or PIL. Accordingly, we are considered eligible to give independent advice in respect of the Master Purchase Contract 2022 and the Transactions contemplated thereunder (including the Annual Cap).

LETTER FROM YUE XIU CAPITAL

II. BASIS OF OUR ADVICE

In formulating our advice and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 (the “**2018 Annual Report**”, “**2019 Annual Report**” and “**2020 Annual Report**”, respectively) and the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); (iv) the opinions expressed by and the representations of the Directors and/or the senior management of the Group (the “**Management**”); and (v) our review of the relevant public information. We have assumed that all the information provided and representations made and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. The Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or the Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the General Meeting.

The 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 Group. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have reviewed the relevant information currently available to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or PIL or any of their respective subsidiaries or associates.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Information on the Group

The Company is an investment holding company incorporated in Hong Kong and the business activities of the Group include: (i) manufacturing of dry freight containers, collapsible flat rack containers, open top containers, bitutainers, tank containers, offshore containers and other specialised containers and container parts (the “**Manufacturing Segment**”); and (ii) provision of logistics services, including operating container depots and container logistics.

LETTER FROM YUE XIU CAPITAL

According to the 2020 Annual Report, the Group recorded revenue of approximately US\$712.2 million for the year ended 31 December 2019 (“**FY2019**”) and US\$274.3 million for the year ended 31 December 2020 (“**FY2020**”), among which approximately US\$683.9 million and US\$246.7 million was generated from the Manufacturing Segment, representing approximately 96.0% and 89.9% of the total revenue of the Group, respectively.

The Group’s revenue of approximately US\$274.3 million for FY2020 represented a substantial decrease by approximately 61.5% compared with that of approximately US\$712.2 million for FY2019. As disclosed in the 2020 Annual Report, the decrease in revenue for FY2020 was primarily the result of (i) the very substantial disposal of certain manufacturing of traditional dry freight containers operations of the Group in 2019; and (ii) suspension in production during the beginning of 2020 due to the outbreak of COVID-19 pandemic. The COVID-19 pandemic caused an abrupt suspension in production during early 2020. Nevertheless, the Group quickly resumed production to meet the strong export demand due to China’s recovery from the outbreak of COVID-19 pandemic. The turnaround in financial performance during the second half of 2020 was primarily attributable to stronger demand for new dry freight containers arising from port congestions at numerous countries around the world caused by the COVID-19 pandemic.

The financial performance of the Group continued to improve in the first half of 2021. According to the 2021 Interim Report, the Group recorded revenue of approximately US\$455.9 million for the six months ended 30 June 2021 (“**1H2021**”), among which approximately US\$442.4 million, or approximately 97.0%, was derived from the Manufacturing Segment. The Group’s revenue for 1H2021 of approximately US\$455.9 million represented an increase by approximately 3.7 times compared with that for the six months ended 30 June 2020 of approximately US\$97.5 million, which was primarily attributable to increased demand for dry freight containers during the period leading to the increase in average selling price of dry freight containers. As disclosed in the 2020 Annual Report and the 2021 Interim Report, the average selling price of a 20-foot dry freight container, one of the most commonly-used containers for shipment of goods in ocean freight, increased from US\$1,779 in FY2019 to US\$2,059 in FY2020, and further to US\$3,175 for 1H2021, reflecting the increase in market demand.

As further mentioned in the 2021 Interim Report, the Group anticipates that the demand for dry freight containers will remain high and the demand for specialised containers will also remain healthy, spurred by interest from its diverse client base.

2. Information on PIL Group

PIL is a company incorporated in Singapore with limited liability. Headquartered in Singapore, PIL Group is a containership operator which offers container liner services and other logistics related services globally and operates a fleet of vessels. According to the website of PIL, PIL has developed from a coastal ship-owner in Singapore into the largest carrier in Southeast Asia, with a focus on China, Asia, Africa, Middle East, South America and Oceania. PIL owns and operates a fleet of around 100 container and multi-purpose vessels, serving over 500 locations in more than 90 countries worldwide.

LETTER FROM YUE XIU CAPITAL

As part of the ordinary and usual course of business of the Group, the Group provides container depot services and supplies containers to customers including PIL Group from time to time. The Company and PIL entered into the Master Purchase Contract 2018 on 30 October 2017 with a term of commencing from 1 January 2018 to 31 December 2020 for the sale of Equipment by the Group to PIL Group.

As at 31 December 2018 and 31 December 2019, majority of the amount due from PIL Group was overdue. As at 30 June 2020, the aggregate amount of trade receivable due from PIL Group to the Group was approximately US\$149,696,000, with a majority of which being overdue. In view of the deteriorating financial conditions of PIL Group and the substantial overdue amount due from PIL Group, the sale of Equipment by the Group to PIL Group under the Master Purchase Contract 2018 had been put on hold since the second quarter of 2019. On 4 November 2020, the Company and PIL entered into the Deed in relation to the settlement of outstanding amount and interests due from PIL Group to the Group in accordance with a 10-year repayment schedule up to 31 December 2030. Further details and background on the Deed are set out in the paragraph headed “Amounts due from PIL Group and the repayment arrangement” in the Letter from the Board and the announcement of the Company dated 4 November 2020. As at the Latest Practicable Date, the total outstanding amount of trade receivables due from the PIL Group to the Group under the Deed was US\$149,696,984. The first scheduled repayment date pursuant to the Deed is 31 December 2021, where PIL Group shall repay a sum of US\$2,500,000 to the Group on such date.

On 30 March 2021, a restructuring plan (the “**Restructuring Plan**”) of PIL became effective. Pursuant to the Restructuring Plan, (i) Heliconia Capital Management Pte. Ltd (“**Heliconia**”), an independently managed wholly-owned subsidiary of Temasek Holdings (Private) Limited (a sovereign wealth fund held by Singapore government, “**Temasek**”), completed a US\$200 million investment into PIL by way of subscription of convertible preference shares into PIL’s holding company (via a controlled entity); (ii) Heliconia (via a controlled entity) executed a US\$200 million term loan facility and a US\$200 million revolving credit facility to PIL; (iii) notes with outstanding principal amount of S\$60 million of PIL were marked down and cancelled; and (iv) PIL issued perpetual securities in respect of which there is no fixed redemption date with aggregate principal amount of approximately US\$240.7 million. As noted from the circular of the Company dated 24 November 2020, PIL considered that the additional financing from one or more entities managed and controlled by Heliconia can provide a recalibration of PIL’s capital structure necessary for PIL to continue operating as a going concern, enabling PIL to emerge as a stronger and better-capitalised enterprise and benefit from having Heliconia as a significant stakeholder of PIL. The implementation of the debt re-profiling by PIL with its creditors as described in the circular of the Company dated 24 November 2020, among other things, have stabilised PIL’s financial situation.

As set out in the 2021 Interim Report, the investment by Heliconia in PIL was completed on 30 March 2021 and Temasek indirectly controls the holding company of PIL. We have reviewed the financial information of PIL Group for FY2020 and 1H2021, and noted that the financial condition of PIL Group has shown improvement.

3. Outlook of the global container shipping industry

The world's economy took a hard hit due to the COVID-19 pandemic in the first half of 2020, which led to suspension in production and decline in overall demand for international transportation and logistics services. However, with the effective control of COVID-19 pandemic and favourable government policies to stimulate the economies imposed by various countries, economic activities and thus the demand for exported and imported goods gradually recovered in the second half of 2020. In the first half of 2021, the global economy continued its recovery trend and international trade in goods remained in active stage. In particular, China's foreign trade exports continued to grow rapidly, resulting in a strong demand for international transportation.

Against the backdrop of international trade recovery, global container shipping companies also saw rapid improvement in general. Based on publicly available information, we noted that nine¹ of the ten largest global container shipping companies² in terms of 20-foot equivalent unit capacity of the fleet in 2021 recorded significant improvement or turnaround in the terms of revenue and profit for their respective financial year ends in 2020 as compared to their corresponding prior financial year ends in 2019. The favourable trend continued in the first half of 2021 among global container shipping companies. For instances, we noted that A.P. Møller – Maersk A/S and Compagnie Maritime d'Affrètement and Compagnie Générale Maritime, which ranked first and third, respectively, in terms of 20-foot equivalent unit capacity of the fleet, recorded doubled profit for the first half of 2021 compared with those for the year ended 31 December 2020.

The World Container Index, which provides weekly assessment of 40-foot container freight rates, published by Drewry Shipping Consultant Limited³ (“Drewry”), has rebounded rapidly since the second half of 2020. The World Container Index has been increasing since the second half of 2020 and reached its peak in September 2021. The index recorded in October 2021 was approximately 276% higher than that in October 2020. This demonstrates the demand for international shipping has remained high in 2021. It is expected by Drewry that the World Container Index will remain steady in near future.

According to the world merchandise trade volume forecast published in October 2021 by World Trade Organisation (“WTO”), a global international organisation dealing with the rules of trade between nations, the world merchandise trade volume growth rate in 2021 and 2022 is expected to be approximately 10.8% and 4.7%, respectively. Similar to the trend demonstrated by the World Container Index, the higher growth rate in 2021 represented the economic recovery since the second quarter of 2020. In particular, it is expected by WTO that the export and import growth rate in Asia from 2019 to 2021 would be approximately 14.7% and 9.4%, respectively. This would enable global container shipping companies, including PIL Group, to continue benefiting from the expected growth in global trade in 2022.

¹ One of the ten largest global container shipping companies, which ranked second in terms of 20-foot equivalent unit capacity of the fleet, is a private company and thus its financial information is not publicly available.

² Rankings of the ten largest global container shipping companies are based on Alphaliner, a market intelligence institution which tracks the capacities and market shares of global container shipping companies.

³ Drewry Shipping Consultant Limited is one of the leading independent providers of research and consulting services to the maritime and shipping industry.

LETTER FROM YUE XIU CAPITAL

Having considered the above, although there remains certain challenges such as port congestion and container shortage in the operating environment, it appears that the outlook of global container shipping industry remains positive in the near future.

4. Reasons for and benefits of entering into the Master Purchase Contract 2022

As set out in the Letter from the Board, the Master Purchase Contract 2022 will provide the Group with an additional and steady source of revenue in the ordinary course of business of the Group.

As referred to in the section headed “1. Information on the Group” above in this letter, the Group primarily generates its revenue from the Manufacturing Segment. Accordingly, the sale of Equipment to PIL Group under the Master Purchase Contract 2022 are conducted in the ordinary and usual course of business of the Group.

The table below sets out the revenue of the Group derived from sale of Equipment to PIL Group and revenue of the Group derived from the Manufacturing Segment for the years ended 31 December 2016 to 2020 as extracted from the relevant annual reports of the Company:

	For the year ended 31 December				
	2016	2017	2018	2019	2020
Revenue derived from sale of Equipment to PIL Group (US\$)	27,713,510	45,881,950	104,010,880	29,140,000	Nil
Revenue of the Group derived from the Manufacturing Segment (US\$)	880,654,000	1,443,177,000	1,780,404,000	683,925,000	246,677,000
Percentage of revenue derived from sale of Equipment to PIL Group to the Group's Manufacturing Segment revenue	3.1%	3.2%	5.8%	4.3%	0%

LETTER FROM YUE XIU CAPITAL

As set out in the table above, revenue derived from sale of Equipment to PIL Group accounted for approximately 3.1% to 5.8% of the Group's revenue derived from the Manufacturing Segment for the years ended 31 December 2016 to 2019. The Group did not record any sale of Equipment to PIL Group for FY2020 as the sale of Equipment by the Group to PIL Group under the Master Purchase Contract 2018 had been put on hold since the second quarter of 2019. The above table demonstrates that the sale of Equipment to PIL Group has been contributing a steady stream of revenue to the Manufacturing Segment of the Group before 2020, when PIL Group was in financial difficulty. As set out in the 2021 Interim Report, Temasek indirectly controls the holding company of PIL following the completion of investment by Heliconia to PIL. Subsequently, the Group entered into the Master Purchase Contract 2021 with PIL Group to resume the sale of Equipment to PIL Group. The actual transaction amount between the Group and PIL Group under the Master Purchase Contract 2021 (which represents the total value of Equipment sold by the Group to PIL Group and the value of unproduced purchase orders entered into between the Group and PIL Group) is approximately US\$65.7 million. This further demonstrates the sale of Equipment to PIL Group would bring additional and steady source or revenue in the ordinary and usual course of business of the Group.

Having considered the above, we are of the view that, subject to the appropriate credit control measures in place, it is reasonable and in the interest of the Company and the Shareholders as a whole to sell Equipment to PIL Group under the Master Purchase Contract 2022 so as to provide an additional and steady revenue stream to the Group.

5. Principal terms of the Master Purchase Contract 2022

The principal terms and conditions of the Master Purchase Contract 2022 are described below.

Date

2 November 2021

Parties

Seller: The Company (on behalf of the Group)

Buyer: PIL (on behalf of PIL Group)

Scope/Consideration

Pursuant to the Master Purchase Contract 2022, the Group will enter into individual purchase order agreement(s) with PIL Group for the provision of Equipment by the Group to PIL Group. Each individual purchase order agreement will specify and stipulate the specific terms and the operative provisions, including but not limited to the size and type, unit price, quantity and delivery time and location of the Equipment, which may cover dry freight containers, collapsible flatrack containers, open top containers, bitainers, tank containers, offshore containers and other specialised containers.

LETTER FROM YUE XIU CAPITAL

None of the Equipment under the Master Purchase Contract 2022 has a fixed unit price as there may be material fluctuations in production costs for the Equipment, in particular, costs of raw materials and labour costs, which are contingent upon the prevailing market price. Neither is there a published reference price for the Equipment under the Master Purchase Contract 2022 as there is no widely accepted industry standard price on the Equipment and there is no sufficiently representative published data on the market price of similar equipment. Given the above, the unit price of the Equipment under each individual purchase order agreement will be determined on a cost plus reasonable profits basis (and hence the said pricing policy applies to all such Equipment), where such markup will take into account, among other things, the market demand and supply dynamics at the time when quotations are made and the prevailing market price and value of products that are of similar nature of the Equipment (if available) and in any event not lower than the markup of the Equipment (or products of similar nature of the Equipment) sold by the Group to independent third party customers. As set out in the Letter from the Board, up to the Latest Practicable Date, gross profit margin for the Equipment sold to PIL Group under the Master Purchase Contract 2021 was approximately 35%. General increase in market demand for the Equipment in 2021 led to the selling price increases. Gross profit margin for the Equipment sold to PIL Group under the Master Purchase Contract 2021 was much higher than the gross profit margin for the Equipment sold under the Master Purchase Contract 2018 ranging from 0.04% to 17.14%. Such range of gross profit margin represented the gross profit margin for 40-foot high cube dry freight containers (“**40’ HC Containers**”), which accounted for more than 70% of all Equipment sold to the PIL Group under the Master Purchase Contract 2018 and the entire sale transactions under the Master Purchase Contract 2021, and are expected to continue accounting for the majority of sale transactions under the Master Purchase Contract 2022. Due to the fluctuating demand for the Equipment, there is no guarantee that the gross profit margin for the Equipment to be sold to the PIL Group pursuant to the Master Purchase Contract 2022 could maintain the same recorded under the Master Purchase Contract 2021. Such market prices will be observed through, among other things, recent transactions of the Group. The final price under each individual purchase order agreement will be determined on an arm’s length basis between the Group and PIL Group provided that the parties may negotiate on a case-by-case basis but in any event will be no less favourable to the Group than those offered to other independent third party customers of the Group for the similar nature and value of the Equipment and the industry practices.

Before determining the unit price for the Equipment under the Master Purchase Contract 2022 and signing any individual purchase order agreement, the relevant officers of the Group would also review the terms of purchase orders entered into between independent third party customers and the Group of similar quantities, nature or values of the Equipment at the relevant time and calculate the gross profit margins based on such purchase orders. The relevant officers would then compare the gross profit margin that can be achieved by selling the Equipment to PIL and to independent third party customers to ensure that the gross profit margin from the sale of Equipment to PIL is reasonable and ensure that the gross profit margin from the sales of Equipment to PIL is generally in line with industry practices and is no less favourable to the Group than those offered to other independent third party customers at the relevant time with similar quantities and nature. So far as the Directors are aware, it is an industry practice to adopt a cost-plus pricing model to determine the price as well as the gross profit margin for the Equipment.

LETTER FROM YUE XIU CAPITAL

According to the Letter from the Board, the Board considers that the said methods and procedures can ensure that the Transactions be conducted on normal commercial terms and on terms no less favourable to the Group than those offered by the Group to independent third party customers and are not prejudicial to the interests of the Company and the Shareholders.

In order to assess the fairness and reasonableness of the pricing terms of the Master Purchase Contract 2022, we have obtained and reviewed four samples of individual purchase order agreements entered into between the Group and PIL Group during the term of the Master Purchase Contract 2021 and four samples of individual purchase order agreements entered into between the Group and independent third party customers with Equipment of similar nature, values and quantities during the same period. Based on our review of the abovementioned samples of individual purchase order agreement, we noted that the unit prices of Equipment sold by the Group to PIL Group were no less favourable to the Group than the unit prices of Equipment sold by the Group to independent third party customers, and were hence generally in line with the pricing basis under the Master Purchase Contract 2022. We have also reviewed the Master Purchase Contract 2022 and noted that the abovementioned pricing terms are the same as those as stipulated under the Master Purchaser Contract 2021.

Payment terms

The payment for the Transactions contemplated under the Master Purchase Contract 2022, unless otherwise stipulated in the relevant individual purchase order agreement, shall be paid in the following manner: (a) upon signing the individual purchase order agreement, PIL Group shall pay a cash deposit of 25% of the total transaction amount under such agreement; and (b) PIL Group shall pay the remaining amount under such individual purchase agreement (i.e. 75% of the said total transaction amount) before delivery or 15 days after technical acceptance of the relevant Equipment has been confirmed by PIL Group, whichever is earlier, unless otherwise stipulated in the relevant individual purchase order agreement. The title to the Equipment will pass from the Group to PIL Group upon receipt of full payment of the relevant Equipment.

We have reviewed the Master Purchase Contract 2022 and noted that the abovementioned payment terms are the same as those as stipulated under the Master Purchaser Contract 2021.

LETTER FROM YUE XIU CAPITAL

As set out in the Letter from the Board, PIL Group was in financial difficulties in the last two years and with a view to mitigate the credit risk, the sale of Equipment by the Group to PIL Group has been put on hold since the second quarter of 2019. The Group resumed the sale of Equipment to PIL Group in 2021 by entering into the Master Purchase Contract 2021 with PIL Group. Payment terms under the Master Purchase Contract 2021 had been amended as mentioned above to mitigate the credit risk on selling Equipment to PIL Group. According to the finance records of the Group, PIL Group settled all the sales transactions conducted under the Master Purchase Contract 2021 according to the payment terms set forth thereunder. Based on the aforementioned payment terms set out in the Master Purchase Contract 2022, no credit term is contemplated to be given by the Group to PIL Group pursuant to the Master Purchase Contract 2022 except in the case where technical acceptance of the relevant Equipment under the corresponding individual purchase order agreement has been confirmed by PIL Group. PIL Group will be required to pay the remaining 75% of the total transaction amount under the relevant individual purchase order agreement 15 days after such technical acceptance has been confirmed by PIL Group to the Group as time is required for the Group to prepare and process payment documents for each individual purchase order agreement, but in any event such payment shall be made before delivery. In light of the above payment arrangement (i.e. payment shall be made no later than delivery), the Company considers that such payment arrangement shall mitigate the credit risk of the Group for the Transactions contemplated under the Master Purchase Contract 2022 as PIL Group shall not be able to receive the Equipment unless the total transaction amount is fully settled before delivery. In the event that any Equipment has been manufactured pursuant to an individual purchase order agreement but PIL Group fails to pay for the remaining 75% of the total transaction amount under such individual purchase order agreement, based on the current market conditions and demands and barring unforeseeable circumstances, it is currently expected that the Company will generally be able to re-sell such Equipment to other customers with certain modifications.

As set out in the Letter from the Board, 40' HC Containers accounted for entire sale transactions under the Master Purchase Contract 2021 and are expected to continue accounting for the majority of sale transactions under the Master Purchase Contract 2022. As a category of widely-used standardised containers in ocean freight, there is no material difference in terms of specification between the 40' HC Containers ordered by PIL Group and those ordered by independent third party customers. In the event that PIL Group fails to settle the remaining 75% of the total transaction amount before delivery or 15 days after technical acceptance, the Management is of the view that the 40' HC Containers can be sold to other independent third party customers with certain modifications without practical difficulties. We have enquired the Management and understood that, in the event that the Group re-sells the 40' HC Containers to other independent third party customers, the modifications required mainly represent change of company logo and external painting of the 40' HC Containers. We further noted from the 2020 Annual Report and the 2021 Interim Report that the revenue generated from the sale of dry freight containers represented approximately 75.8% and 89.0% of the Group's Manufacturing Segment revenue for FY2020 and 1H2021, respectively. Also, as set out in the 2021 Interim Report, it is expected by the Management that the demand for dry freight containers will remain high. On the foregoing basis, we concur with the Management's view that the Group will generally be able to re-sell the Equipment to other customers with certain modifications without practical difficulties.

LETTER FROM YUE XIU CAPITAL

We have compared the payment terms of the Master Purchase Contract 2022 with four samples of individual purchase order agreements entered into between the Group and independent third party customers during the period from 1 January 2021 up to the Latest Practicable Date, and noted that: (i) the total transaction amount under the aforesaid samples of individual purchase order agreements entered into between the Group and independent third party customers shall be settled within 60 days from the date of technical acceptance, which was longer than the 15 days from the date of technical acceptance as set out in the Master Purchase Contract 2022; (ii) no upfront payment was required for the independent third party customers while 25% of the total transaction amount shall be paid by PIL Group upon signing of the individual purchase order agreements; and (iii) PIL Group shall settle the remaining 75% of the total transaction amount no later than delivery of the Equipment while no such requirement was noted under the samples of individual purchase order agreements entered into with independent third party customers. We consider that the payment terms offered by the Group to PIL Group under the Master Purchase Contract 2022 are no less favourable to the Group than those available to independent third party customers.

Having taken into account the foregoing, it appears that the Master Purchase Contract 2022 has put in place reasonable payment arrangements in mitigating the Group's credit risk for trade receivables due from PIL Group.

Term

Subject to the Independent Shareholders' approval, the Master Purchase Contract 2022 will be for a term from commencing from 1 January 2022 and expiring on 31 December 2022. During the effective term of the Master Purchase Contract 2022, either the Company (on behalf of the Group) or PIL (on behalf of PIL Group) may terminate the Master Purchase Contract 2022 by giving 30 days' written notice to the other party.

We have further reviewed other major terms of the Master Purchase Contract 2022 and are not aware of any other terms which are exceptional to normal market practice.

LETTER FROM YUE XIU CAPITAL

6. Proposed Annual Cap under the Master Purchase Contract 2022

Set out below are: (i) the historical transaction amounts and the previous annual caps under the Master Purchase Contract 2018 for each of the financial years ended 31 December 2019 and 2020; (ii) the historical transaction amount and the existing annual cap under the Master Purchase Contract 2021 for the year ending 31 December 2021; and (iii) the proposed Annual Cap for the year ending 31 December 2022 under the Master Purchase Contract 2022:

Year ended 31 December 2019		Year ended 31 December 2020		Year ending 31 December 2021 (For the period from 23 June 2021 (being the effective date of the Master Purchase Contract 2021) to 31 December 2021)		Year ending 31 December 2022 Proposed Annual Cap
				Annual cap	Actual amount	
Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount	
					<i>(Note)</i>	
US\$150,000,000	US\$29,140,000	US\$155,000,000	Nil	US\$66,000,000	US\$65,705,000	US\$66,300,000
(equivalent to	(equivalent to	(equivalent to		(equivalent to	(equivalent to	(equivalent to
approximately	approximately	approximately		approximately	approximately	approximately
HK\$1,170,000,000)	HK\$227,292,000)	HK\$1,209,000,000)		HK\$514,800,000)	HK\$512,499,000)	HK\$517,140,000)

Note: The actual amount of US\$65,705,000 during the term of the Master Purchase Contract 2021 represents: (i) the total value of equipment sold by the Group to PIL Group of US\$19,890,000; and (ii) the value of unproduced purchase orders entered into between the Group and PIL Group of approximately US\$45,815,000.

As set out in the Letter from the Board, the Annual Cap was determined after taking into account: (i) the historical transaction amounts for each of the two years ended 31 December 2019 and 2020 and for the period from 23 June 2021 (being the effective date of the Master Purchase Contract 2021) up to the Latest Practicable Date; (ii) the existing annual cap in respect of the transactions under the Master Purchase Contract 2021 for the financial year ending 31 December 2021; (iii) the Group being PIL Group's major supplier of the Equipment (whether directly or otherwise); (iv) estimated Equipment requirements of PIL Group during the term of the Master Purchase Contract 2022 as extracted from PIL's Equipment purchase plan for the year ending 31 December 2022 (the **"2022 Equipment Purchase Plan"**). The planned Equipment purchases are calculated based on the replacement demand of PIL's existing Equipment and the expected growth of its business volume in certain shipping routes; and (v) the prevailing market prices of the Equipment in order to estimate the projected price for the year ending 31 December 2022.

As advised by the Management, the proposed Annual Cap of US\$66,300,000 (equivalent to approximately HK\$517,140,000) for the year ending 31 December 2022 was determined primarily based on: (a) 10,000 units of 40' HC Containers to be purchased by PIL Group according to the 2022 Equipment Purchase Plan; and (b) estimated average selling price of a 40' HC Container of US\$6,630 for the year ending 31 December 2022. The proposed Annual Cap of US\$66,300,000 represents a slight upward adjustment as compared with the existing annual cap of US\$66,000,000 under the Master Purchase Contract 2021, reflecting the expected increase in average selling price of 40' HC Containers in 2022.

LETTER FROM YUE XIU CAPITAL

In order to assess the fairness and reasonableness of the determination of the Annual Cap, we have considered the following principal factors:

(i) The historical transaction amounts and annual caps in respect of the transactions under the Master Purchase Contract 2018 and the Master Purchase Contract 2021

Transaction amount under the Master Purchase Contract 2018 decreased from approximately US\$29,140,000 for the year ended 31 December 2019 to nil for FY2020. The low and nil transaction amount with PIL Group for FY2019 and FY2020, respectively, were mainly due to the fact that PIL Group was in financial difficulties at the material time and the sale of Equipment by the Group to PIL Group under the Master Purchase Contract 2018 had been put on hold since the second quarter of FY2019. The Group resumed the sale of the Equipment to PIL Group in 2021 by entering into the Master Purchase Contract 2021 with PIL Group.

With Temasek indirectly controlling the holding company of PIL following the completion of investment by Heliconia in PIL and the entering into of the Master Purchase Contract 2021 between the Group and PIL Group, the actual transaction amount between the Group and PIL Group under the Master Purchase Contract 2021 (which represents the total value of Equipment sold by the Group to PIL Group and the value of unproduced purchase orders entered into between the Group and PIL Group) is approximately US\$65,705,000, representing an utilisation rate of approximately 99.6% of the existing annual cap under the Master Purchase Contract 2021.

(ii) The 2022 Equipment Purchase Plan

According to the 2022 Equipment Purchase Plan, PIL Group has taken into account the following factors in determining the intended purchase of 10,000 units of 40' HC Containers, namely: (i) the replacement requirement of approximately 5,500 units of 40' HC Containers based on the current 40' HC Containers held by PIL Group's fleet with historical wear and tear ratio; and (ii) 12,000 units of 40' HC Containers required in response to extra vessels to be deployed in PIL Group's route to Latin America, West Africa, Oceania, Gulf and India due to the business growth and service expansion of PIL Group. Accordingly, it is the intention of PIL Group to purchase 10,000 units of 40' HC Containers from the Group in 2022.

In determining the existing annual cap under the Master Purchase Contract 2021, PIL Group had also submitted its 2021 Equipment purchase plan to the Group, which stated that it was the intention of PIL Group to purchase 10,000 units of 40' HC Containers from the Group. We have reviewed the purchase order agreements entered into between the Group and PIL Group during the term of the Master Purchase Contract 2021 and noted that PIL Group has already placed purchase orders for an aggregate of 10,000 units of 40' HC Containers as at the Latest Practicable Date. As such, it appears that PIL Group has implemented its 2021 Equipment purchase plan accordingly. Having considered the implementation of PIL Group's 2021 Equipment purchase plan and that the entering into of the Master Purchase Contract 2022 would enable the Group to sell the Equipment to PIL Group to generate additional revenue, it is reasonable to determine the Annual Cap with reference to the estimated maximum quantity that PIL Group intends to purchase so as to facilitate revenue generation of the Group in the event that the 2022 Equipment Purchase Plan as budgeted by PIL Group materialises.

LETTER FROM YUE XIU CAPITAL

As mentioned in the section headed “3. Outlook of the global container shipping industry” in this letter, the global trade continued its recovery trend and the demand for international transportation remained strong since the second half of 2020. As the global trade volume is expected to continue to grow with Asia being the major contributor of export and import growth, it appears to be reasonable for PIL Group to purchase the amount of Equipment as stipulated in the 2022 Equipment Purchase Plan to cope with its business growth and service expansion.

Having considered (i) the positive outlook of the global container shipping industry, (ii) the implementation of the Restructuring Plan; (iii) the improved financial conditions of PIL Group; (iv) PIL Group having been settling the payments for Equipment in accordance with the payment terms as stipulated in the Master Purchase Contract 2021; and (v) the high utilisation rate of the existing annual cap under the Master Purchase Contract 2021 as a result of PIL Group’s implementation of its 2021 Equipment purchase plan, it appears that PIL Group shall be able to implement the 2022 Equipment Purchase Plan.

(iii) The estimated average selling price of a 40’ HC Container

As advised by the Management, the average selling price of a 40’ HC Container for the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 was approximately US\$2,993, US\$3,569 and US\$5,827, respectively. The average selling prices of containers increased since the second half of 2020 due to the port congestion caused by the COVID-19 pandemic and shortage of containers arising from trade imbalance between China and other western countries. Demand for containers continued to increase during the first half of 2021. According to the 2021 Interim Report, the Group anticipates that the demand for dry freight containers will remain high. Based on the samples of individual purchase order agreements entered into between the Group and PIL Group during the term of the Master Purchase Contract 2021 reviewed by us, we noted that the selling prices of 40’ HC Containers thereof were close to the estimated average selling price of US\$6,630 adopted in the 2022 Equipment Purchase Plan. In addition, we have obtained two samples of individual purchase order agreements entered into between the Group and independent third party customers in October 2021 and noted that the latest selling price of a 40’ HC Container was also generally in line with the estimated average selling price of US\$6,630 adopted in the 2022 Equipment Purchase Plan.

Having taken into consideration (i) the gradual improvement in the global trade volume which is expected to drive the demand for containers; (ii) the high utilisation rate of the existing annual cap under the Master Purchase Contract 2021; (iii) our assessment on the 2022 Equipment Purchase Plan as discussed above; and (iv) that the Annual Cap, which is revenue in nature from the Group’s perspective, would facilitate revenue generation of the Group, we are of the view that the Annual Cap has been determined on fair and reasonable basis.

LETTER FROM YUE XIU CAPITAL

7. Annual review and internal control of the Group's continuing connected transactions

According to the Letter from the Board, the pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the finance department and management of the Group in charge to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

As disclosed in the Letter from the Board, prior to signing each purchase order with PIL Group, the marketing department will conduct research on the market demand and supply dynamics, and compare the terms and unit prices of the most recent three purchase orders of the Equipment of similar nature, values and quantities signed between the Group and independent third parties, where available, against the terms and unit price of the purchase order with PIL Group. In the absence of any comparable transaction, the market research unit under the marketing department of the Group will conduct market research of the unit price of the Equipment of similar nature, values and quantities of recent transactions conducted by other industry players based on market intelligence (including through discussions with customers or other market participants) and review whether the terms and unit price of the purchase order are determined based on an arm's length basis between the Group and PIL Group. The purchase order will then be submitted to the chief operating officer of the Group ("**Chief Operating Officer**") or his/her delegate for approval. The Chief Operating Officer or his/her delegate will compare the terms and unit price of the purchase order with PIL Group against the terms and unit prices of the most recent three purchase orders of the Equipment of similar nature, values and quantities signed between the Group and independent third parties, where available. In the absence of any comparable transaction, the Chief Operating Officer or his/her delegate will review the results of the market research conducted by the marketing department on the unit price of the Equipment of similar nature, values and quantities of recent transactions conducted by other industry players to determine whether the terms and unit price of the purchase order are determined based on an arm's length basis between the Group and PIL Group. The Chief Operating Officer or his/her delegate will approve the purchase order if he/she is satisfied that the terms and unit price from the sale of the Equipment to PIL Group is reasonable, no less favourable to the Group than those offered to independent third party customers of the Group, and generally in line with market demand and supply dynamics at the time and general industry practices.

The finance department and management of the Group will conduct half-yearly reviews and assess whether individual transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the Master Purchase Contract 2022 and will also regularly review whether the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy and no less favourable to the Group than those offered to independent third party customers of the Group. The finance department will conduct quarterly reviews of the purchase orders with PIL Group to ensure that the aggregate transaction amount of the purchase orders will not exceed the Annual Cap, and will alert the management of the Group if the aggregate transaction amount of the purchase orders reaches 80% of the Annual Cap.

LETTER FROM YUE XIU CAPITAL

The independent non-executive Directors will review the transactions contemplated under all continuing connected transactions of the Company and the auditors of the Group will also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors considered that the internal control mechanism of the Company is effective to ensure that the transactions contemplated under all continuing connected transactions have been and will be conducted on normal commercial terms and in accordance with the pricing policy of the Group and not prejudicial to the interests of the Company and the Shareholders as a whole.

We noted that the Company has performed periodic review on the comparison of gross profit margins of the Equipment sold by the Group to PIL Group and those sold to independent third party customers to ensure that the gross profit margins of the Equipment sold by the Group to PIL Group was no less favourable to the Group than those sold to independent third parties customers. Based on the above understanding on the Group's internal control measures, including the responsible personnel, reviewing process and frequency, we concur with the Directors that the Group has put in place reasonable internal control mechanism in respect of the Transactions and the Annual Cap.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the Transactions contemplated under the Master Purchase Contract 2022 are subject to the following requirements:

- (i) the independent non-executive Directors must confirm in the annual reports and accounts whether the continuing connected transaction has been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (ii) the Company must engage its auditors to report on the continuing connected transaction for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transaction:
 - has not been approved by the Board;
 - was not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
 - has exceeded the Annual Cap.

LETTER FROM YUE XIU CAPITAL

IV. OUR RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the Master Purchase Contract 2022 has been entered into within the ordinary and usual course of the Group's business based on normal commercial terms; and (ii) the terms of the Master Purchase Contract 2022 and the Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Master Purchase Contract 2022, the Transactions contemplated thereunder and the Annual Cap at the General Meeting.

Yours faithfully,
For and on behalf of
YUE XIU CAPITAL LIMITED
Andrew Lau
Executive Director

Mr. Andrew Lau is a licensed person registered with the Securities and Futures Commission and a responsible officer of Yue Xiu Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 13 years of experience in the accounting and corporate finance industries.

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) SHARE CAPITAL

As at the Latest Practicable Date, the total number of Shares of the Company comprised 2,416,919,918 Shares, all of which are fully paid-up.

All the Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital.

Save as disclosed herein, no part of the share capital of the Company is listed or dealt in on stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed in or on any other stock exchange.

3) DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or (c) were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The Shares

Name	Capacity	Number of Shares Held			Total Interest	Percentage of Total Issued Shares
		Personal Interest	Corporate Interest	Other		
Mr. Teo Siong Seng	Beneficial Owner	42,377,250	–	–	42,377,250	1.75%
Ms. Chung Pui King, Rebecca	Beneficial Owner	195,291	–	–	195,291	0.01%
Mr. Tan Chor Kee (<i>Note</i>)	Spouse Interest	–	–	6,000	6,000	0.00%

Note:

Ms. Lee Tew Guan, spouse of Mr. Tan Chor Kee held 6,000 Shares. Mr. Tan Chor Kee is deemed to be interested in 6,000 Shares held by Ms. Lee Tew Guan.

All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of Directors or chief executive of the Company, nor their associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or (c) were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company or the Stock Exchange and none of the Directors or chief executive of the Company, nor their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right since 31 December 2020 (being the date of the Company's latest published audited accounts).

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

There was no contract or arrangement subsisting as at the date of this circular, in which any of the Directors was materially interested and which was significant in relation to the businesses of the Group.

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had been, since 31 December 2020 (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.

4) DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTEREST

- (a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Director or chief executive of the Company, the following persons (other than the interests of certain Directors disclosed under the section headed "Disclosure of Directors' Interests" above), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Notes	Number of Shares of		Percentage
		Direct Interest	Indirect Interest	Total Issued Shares
Temasek	(1)	–	993,825,345	41.12%
PIL Pte. Ltd.	(2)	–	993,825,345	41.12%
PIL	(2)	993,825,345	–	41.12%
Madison Pacific Pte. Limited	(3)	–	993,825,345	41.12%
Madison Pacific Trust Limited	(4)	–	993,825,345	41.12%
Hyder Ahmad	(5)	–	438,452,359	18.14%
Broad Peak Investment Management Ltd.	(5)	–	438,452,359	18.14%
Broad Peak Master Fund II Ltd.	(5)	438,452,359	–	18.14%

Notes:

- (1) Temasek indirectly controls PIL Pte. Ltd. which wholly owns PIL. PIL directly holds 993,825,345 Shares. Temasek's indirect interest also arises by reason of Ivy 1 Investments VCC ("Ivy 1"), which is 100% indirectly controlled by Temasek, as a charge over 993,825,345 Shares held by PIL has been granted in favour of Ivy 1 (where Madison Pacific Pte. Limited is the security agent). Additionally, SeaTown Lionfish Pte. Ltd. ("SeaTown") is the lender of record that has a direct interest in 496,912,673 Shares pledged by PIL, which form part of the 993,825,345 Shares Temasek is deemed interested in. Temasek is the indirect sole shareholder of SeaTown.
- (2) A total of 993,825,345 Shares are directly held by PIL which is 100% owned by PIL Pte. Ltd.
- (3) Madison Pacific Pte. Limited is the security agent under a loan facility whose sole lender is currently Ivy 1. As disclosed in note (1) above, a charge over 993,825,345 Shares held by PIL has been granted in favour of Ivy 1.
- (4) Madison Pacific Trust Limited is the security agent under a loan facility whose lenders are currently Broad Peak Master Fund II Ltd., SeaTown and a third party who were granted a charge over the 993,825,345 Shares pledged by PIL as security.
- (5) Broad Peak Master Fund II Ltd. is the lender of record which has a direct interest in the Shares pledged by PIL, Broad Peak Investment Management Ltd. holds 100% interest in Broad Peak Master Fund II Ltd.. Hyder Ahmad is the ultimate controlling shareholder of Broad Peak Investment Management Ltd.
- (6) Mr Teo Siong Seng, an executive Director who is also chairman of the Board and chief executive officer of the Company, is a director of each of PIL and PIL Pte. Ltd.

All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, there was no other person known to the Directors or chief executive of the Company, other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (b) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company), who was, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) and the amount of such persons' interests in such securities were:

Name of subsidiary of the Company	Name of substantial shareholder	Interest in the share capital/ equity interest	Percentage of total issued share capital
Eng Kong Container & Warehousing Limited	Mr. Li Hung	(Note)	13.33%
	Mr. Ng Kam Ming	(Note)	13.33%
Singamas Logistics (Qingdao) Co., Ltd.	SITC Logistics (HK) Limited	Registered paid-up capital of US\$2,312,000 (equivalent to approximately HK\$18,033,600)	40%
Shanghai Pacific International Container Co., Ltd.	Everbright Jiabao Co., Ltd.	Registered paid-up capital of US\$3,936,400 (equivalent to approximately HK\$30,703,920)	15.14%
	Shanghai Jinjiang Shipping Co., Ltd	Registered paid-up capital of US\$2,600,000 (equivalent to approximately HK\$20,280,000)	10%

Name of subsidiary of the Company	Name of substantial shareholder	Interest in the share capital/ equity interest	Percentage of total issued share capital
	Sinotrans Shanghai (Group) Co., Ltd.	Registered paid-up capital of US\$2,600,000 (equivalent to approximately HK\$20,280,000)	10%
Singamas Container Industry Co., Ltd.	PIL	Registered paid-up capital of US\$1,020,000 (equivalent to approximately HK\$7,956,000)	20%
Wellmass Group Limited	Mr. Li Hung	2,000 ordinary shares	20%
	Mr. Ng Kam Ming	2,000 ordinary shares	20%

Note: Each of Messrs. Li Hung and Ng Kam Ming is indirectly interested in approximately 13.33% equity interest of Eng Kong Container & Warehousing Limited through his respective 20% interest in Wellmass Group Limited, which holds approximately 66.67% interest in Eng Kong Container & Warehousing Limited.

Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company, other than Directors or the chief executive of the Company, who was, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

5) SERVICE CONTRACT

As at the Latest Practicable Date, no Director had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

6) MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published financial statements of the Company have been made up) and up to the Latest Practicable Date.

7) INDEPENDENT FINANCIAL ADVISER

The qualification of the independent financial adviser who has given advice contained in this circular is set out as follows:

Name	Qualification
Yue Xiu Capital	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity

As at the Latest Practicable Date, Yue Xiu Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears or is included.

As at the Latest Practicable Date, Yue Xiu Capital had no direct or indirect interest in any asset which had been since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, Yue Xiu Capital did not have any shareholding in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The letter and recommendation from Yue Xiu Capital is given as of the date of this circular for incorporation herein.

8) LITIGATION

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

9) MISCELLANEOUS

- a) The registered office of the Company is at 19th Floor, SUP Tower, 75-83 King's Road, Hong Kong.
- b) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- c) The secretary and the qualified accountant of the Company is Ms. Chung Pui King, Rebecca, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10) DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.singamas.com>) for a period of 14 days from the date of this circular:

- a) the "Letter from the Independent Board Committee" as set out in this circular;
- b) the "Letter from Yue Xiu Capital" as set out in this circular;
- c) the Master Purchase Contract 2022;
- d) the written consent of Yue Xiu Capital referred to under the section headed "Independent Financial Adviser" in this appendix; and
- e) this circular.

NOTICE OF GENERAL MEETING

SINGAMAS

勝獅貨櫃企業有限公司 SINGAMAS CONTAINER HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 716

NOTICE IS HEREBY GIVEN that a general meeting of Singamas Container Holdings Limited (the “**Company**”) will be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Hong Kong on Friday, 10 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Master Purchase Contract 2022 (as defined in the circular of the Company dated 25 November 2021 (the “**Circular**”)), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purposes, and the Transactions contemplated therein (as defined in the Circular) be and are hereby unconditionally approved, ratified and confirmed;
- (b) the Annual Cap (as defined in the Circular) for the financial year ending 31 December 2022 be and is hereby approved; and
- (c) any director of the Company be and is hereby authorised as he or she considers necessary, to execute and deliver for and on behalf of the Company all such documents, instruments, notices or agreements to be incidental to, or ancillary to or in connection with the matters contemplated in the Master Purchase Contract 2022 and, to do all such other acts, matters or things for and on behalf of the Company, as may deem necessary or desirable to perfect, give effect to or implement any terms of the Transactions.”

By Order of the Board

Chung Pui King, Rebecca

Executive Director and Company Secretary

Hong Kong, 25 November 2021

Registered office:

19th Floor,
SUP Tower,
75–83 King’s Road,
Hong Kong

NOTICE OF GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. **Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.**
2. In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that authority must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. For the purpose of ascertaining shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 7 December 2021 to Friday, 10 December 2021, both days inclusive, and no transfer of the shares of the Company will be effected during such period. In order to be entitled to attend and vote at the meeting, all transfers of shares of the Company, duly accompanied by the completed transfer forms and all relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, 6 December 2021. The shareholders whose names appear on the register of members of the Company on Friday, 10 December 2021, the record date of the meeting, will be entitled to attend and vote at the meeting.
4. Taking into account the development of the COVID-19 coronavirus, the Company will implement prevention and control measures at the General Meeting as the Company may consider necessary or desirable to protect Shareholders from the risk of infection, including:
 - (i) compulsory body temperature check will be conducted for all Shareholders, proxies and other attendees at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
 - (ii) all Shareholders, proxies and other attendees are required to wear surgical mask before they are permitted to attend, and during their attendance of the General Meeting; and
 - (iii) no distribution of gift and no refreshment will be served.

Attendees who do not comply with the precautionary measures or are subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company would like to encourage Shareholders to exercise their right to vote at the General Meeting by appointing the Chairman of the General Meeting as their proxy to vote according to their indicated voting instructions instead of attending the General Meeting in person.