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金聯資本(企業融資)有限公司
Goldlink Capital (Corporate Finance) Limited

29 October 2024

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Contract 2025 and the Transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 29 October 2024 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 7 October 2024 in relation to the Master Purchase Contract 2025. The Group has been selling Equipment to the PIL Group under the Revised Master Purchase Contract 2022 as part of the ordinary course of business of the Group. The Master Purchase Contract 2025 is to replace the Revised Master Purchase Contract 2022 which will expire on 31 December 2024. On 7 October 2024, the Company (for and on behalf of the Group) entered into the Master Purchase Contract 2025 with PIL (for and on behalf of PIL Group) for the sale of Equipment by the Group to PIL Group for a term of three years commencing from 1 January 2025 and expiring on 31 December 2027.

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As 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 2025 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.

As one or more of the applicable percentage ratios (other than profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed Annual Caps for the Transactions exceeds 5%, the Transactions contemplated under the Master Purchase Contract 2025 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 Company will seek the Independent Shareholders' approval of the Transactions at the EGM. Each of PIL and its associates which, in aggregate, held 993,825,345 shares and approximately 41.72% shareholding of the Company as at the Latest Practicable Date, will abstain from voting on the resolution in respect of the Transactions at the EGM. 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 47,377,250 shares and approximately 1.99% shareholding in the Company as at the Latest Practicable Date, will also abstain from voting on such resolution at the EGM.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Master Purchase Contract 2025 and the Transactions contemplated thereunder. Any shareholder who has a material interest in the Transactions must abstain from voting on the resolutions at the EGM. Accordingly, PIL and its associates will abstain from voting at the EGM.

The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Lam Sze Ken, Kenneth, Mr. Ho Teck Cheong and Ms. Wong Sau Pik) has been set up to advise the Independent Shareholders in connection with the Master Purchase Contract 2025 and the Transactions contemplated thereunder (including the Annual Caps). We, Goldlink Capital (Corporate Finance) Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not acted as an independent financial adviser on any other transactions for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have reviewed, among others, (i) the Master Purchase Contract 2025; (ii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**") and the interim report of the Company for the six months ended 30 June 2024 (the "**2024 Interim Report**"); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

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 Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Master Purchase Contract 2025 and the Transactions contemplated thereunder.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Purchase Contract 2025 and the Transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Background 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, tank containers, offshore containers, other specialised containers and container parts and leasing of dry freight containers; and (ii) provision of logistics services, including operating container depots and container logistics.

1.1 Financial performance on the Group

Set out below is the summary of the financial information of the Group for the two years ended 31 December 2022 and 2023 and six months ended 30 June 2023 and 2024, which are extracted from the 2023 Annual Report and the 2024 Interim Report respectively:

Consolidated statement of profit or loss

	For the six months ended 30 June		For the year ended 31 December	
	2024	2023	2023	2022
	(unaudited)	(unaudited)	(audited)	(audited)
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	242,864	189,391	382,470	776,455
– Manufacturing and leasing	228,730	175,702	354,983	748,847
– Logistics	14,134	13,689	27,487	27,608
Gross Profit	36,678	26,388	56,528	147,131
Gross Profit Margin	15.1%	13.9%	14.8%	18.9%
Profit for the period/year attributable to the owners of the Company	17,199	9,776	19,438	46,340

For the year ended 31 December 2023

According to the 2023 Annual Report, the Group's revenue decreased by approximately 50.7% from approximately US$776.5 million for the year ended 31 December 2022 to approximately US$382.5 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in revenue of approximately US$393.9 million from manufacturing and leasing segment which was due to the slump in demand for dry freight containers in the wake of overproduction of the industry in 2021.

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The gross profit of the Group decreased from approximately US$147.1 million for the year ended 31 December 2022 to approximately US$56.5 million for the year ended 31 December 2023. The gross profit margin of the Group decreased by approximately 4.1% from approximately 18.9% for the year ended 31 December 2022 to 14.8% for the year ended 31 December 2023. The decrease in gross profit and gross profit margin were attributable to the slump in demand for dry freight container during the year and the impact of weak global trade.

The profit for the year attributable to the owners of the Company decreased by approximately US$26.9 million from approximately US$46.3 million for the year ended 31 December 2022 to US$19.4 million for the year ended 31 December 2023, the decrease in profit was aligned with the decrease in revenue during the year.

For the six months ended 30 June 2024

According to the 2024 Interim Report, the Group's revenue increased by approximately 28.2%, from approximately US$189.4 million for the six months ended 30 June 2023 to approximately US$242.9 million for the six months ended 30 June 2024. Such increase was mainly due to the increase in revenue from manufacturing and leasing segment of approximately 30.2% for the period which resulted from the increase in revenue contributed from dry freight containers and energy storage system containers in the respective period.

The gross profit of the Group increased from approximately US$26.4 million for the six months ended 30 June 2023 to approximately US$36.7 million for the six months ended 30 June 2024. The gross profit margin of the Group increased from approximately 13.9% for the six months ended 30 June 2023 to approximately 15.1% for the six months ended 30 June 2024. The increase in the gross profit and gross profit margin were attributable to the increase in demand and higher utilisation rate of the production facilities.

The profit for the year attributable to the owners of the Company increased by approximately US$7.4 million from approximately US$9.8 million for the six months ended 30 June 2023 to approximately US$17.2 million for the six months ended 30 June 2024, such increase was aligned with the increase in revenue during the period.

1.2 *Financial position on the Group*

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024, which are extracted from the 2023 Annual Report and the 2024 Interim Report.

Consolidated statement of financial position

	As at 30 June	As at 31 December	
	2024	2023	2022
	(unaudited)	(audited)	(audited)
	US$'000	*US$'000*	*US$'000*
Non-current assets	284,853	246,904	230,666
Current assets	537,316	509,563	581,587
Total assets	**822,169**	**756,467**	**812,253**
Current liabilities	190,887	122,542	135,129
Non-current liabilities	14,022	19,290	18,247
Total liabilities	**204,909**	**141,832**	**153,376**
Net assets	**617,260**	**614,635**	**658,877**

The total assets of the Group decreased from approximately US$812.3 million as at 31 December 2022 to approximately US$756.5 million as at 31 December 2023. The decrease was mainly due to the decrease in cash and cash equivalents of approximately US$201.9 million and offset by the increase in bank deposits with original maturity over 3 months of approximately US$133.1 million. The total assets of the Group increased to US$822.2 million as at 30 June 2024, such increase was mainly due to the (i) increase in prepayments and other receivables of approximately US$47.3 million; and (ii) increase in trade receivables of approximately US$35.8 million.

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The total liabilities of the Group decreased from approximately US$153.4 million as at 31 December 2022 to approximately US$141.8 million as at 31 December 2023. Such decrease was mainly due to the decrease in trade payables and accruals and other payables of approximately US$9.6 million. The total liabilities of the Group increased to approximately US$204.9 million as at 30 June 2024, which was mainly attributable to (i) the increase in bank and other borrowings of approximately US$44.7 million; and (ii) the increase in dividend payable of approximately US$12.2 million.

As a result of the foregoing, the net assets of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024 amounted to approximately US$658.9 million, US$614.6 million and US$617.3 million, respectively. The gearing ratio of the Group was approximately nil, 0.01, 0.09 as at 31 December 2022, 31 December 2023 and 30 June 2024, respectively, which was relatively stable.

1.3 *Background information on PIL Group*

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. Heliconia Capital Management Pte. Ltd., an institutional investor (an independently managed wholly-owned subsidiary of Temasek Holdings (Private) Limited, a sovereign wealth fund held by the Singapore government) indirectly controls PIL Pte. Ltd., an investment holding company, which wholly owns PIL.

1.4 *Reasons for and benefits of entering into the Master Purchase Contract 2025*

The Group is a renowned container manufacturer in the world and having comprehensive depot operation networks in the PRC. The Group has been selling the Equipment to the PIL Group under the Revised Master Purchase Contract 2022 which will be expired on 31 December 2024. The Board believes that the Master Purchase Contract 2025 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.

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As mentioned in the section headed "1. Background information on the Group – 1.1 Financial performance on the Group" above, the Group primarily engages in the manufacturing of various kinds of containers and the revenue from the manufacturing and leasing segment forms a core part of the Group's total revenue. Accordingly, the sales of Equipment to the PIL Group under the Master Purchase Contract 2025 are conducted in the ordinary and usual course of business of the Group.

Based on the above, in particular that (i) it is the principal business of the Group to manufacture containers; (ii) the business relationship between the Group and PIL Group has been well-established; and (iii) the Master Purchase Contract 2025 allows the Group to continue to sell the Equipment to PIL Group, we concur with the view of the Directors that the Master Purchase Contract 2025 has been entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Master Purchase Contract 2025

The salient terms and conditions of the Master Purchase Contract 2025 are summarised as follows:

Date:	7 October 2024
Parties:	The Seller: The Company (on behalf of the Group) The Buyer: PIL (on behalf of PIL Group)
Scope/Consideration:	Pursuant to the Master Purchase Contract 2025, 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, tank containers, offshore containers and other specialised containers.

None of the Equipment under the Master Purchase Contract 2025 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 2025 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. 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.

Pricing policy:	Before determining the unit price for the Equipment under Master Purchase Contract 2025 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.
Payment arrangement:	The payment for the Transactions contemplated under the Master Purchase Contract 2025, unless otherwise stipulated in the relevant individual purchase order agreement, shall be settled within 60 days after technical acceptance of the relevant Equipment has been confirmed by the PIL Group to the Group. Payment terms offered by the Group to third party customers ranged from 30 days to 120 days, depending on the creditworthiness of the third party customers. The Board believes that the payment term offered by the Group to the PIL Group is on normal commercial terms after considering the creditworthiness of PIL, and is no more favourable than those offered by the Group to other comparable independent third party customers.

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2.1 *Terms under the Master Purchase Contract 2025*

As set out in 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. Details of which are disclosed below under the paragraph headed "2.2 Internal control measures for the Transactions".

In assessing the fairness and reasonableness of the pricing standard of Equipment stipulated under the Master Purchase Contract 2025, we have obtained and reviewed seven samples of individual purchase order agreements entered into between the Group and the PIL Group during the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 (the "**Review Period**") and seven samples of individual purchase order agreements entered into between the Group and independent third party customers during the Review Period, of Equipment in similar nature, values and quantities at the relevant time. We noted that the unit prices of Equipment sold by the Group to the PIL Group were no less favourable to the Group than the unit prices of Equipment sold by the Group to the independent third party customers. As such, we are of the view that the pricing standard of Equipment stipulated under the Master Purchase Contract 2025 is on normal commercial terms and the pricing terms are determined on fair and reasonable basis so far as the Independent Shareholders are concerned.

In assessing the fairness and reasonableness of the payment term, we have reviewed and compared the payment term stipulated in the Master Purchase Contract 2025 with seven samples of individual purchase order agreements entered into between the Group and other independent third party customers with respect to the sale of Equipment during the Review Period. We noted that the payment term under the aforesaid samples of individual purchase order agreements entered into between the Group and the independent third party customers shall be settled within 60 days from the date of technical acceptance of the Equipment. Hence, we consider that the payment term offered by the Group to the PIL Group under the Master Purchase Contract 2025 is no less favourable to the Group than those offered by the Group to independent third party customers.

Based on the above, we are of the view that the terms under the Master Purchase Contract 2025 are on normal commercial terms and the terms of the Transactions were no less favourable to the PIL Group than those offered to other independent third party customers of the Group.

2.2 *Internal control measures for the Transactions*

As set out in the Letter from the Board, the pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel 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. The relevant personnel and management of the Group will conduct regular checks to review and assess whether individual transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the Master Purchase Contract 2025 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. Further details of the internal control measures are set out in the Letter from the Board.

We have discussed with the management of the Company and obtained and reviewed the connected transactions policy for Equipment selling. We understand that the Company performed periodic review on the gross profit margins of the Equipment sold by the Group to the PIL Group and those sold by the Group to other independent third party customers to ensure that the gross profit margins of the Equipment sold by the Group to the PIL Group were no less favourable to the Group than those sold to other independent third party customers. We are also given to understand that all of the individual purchase order agreements entered into with the PIL Group under the Master Purchase Contract 2025 will be reviewed and approved by the chief operating officer of the Group or her delegate prior to the execution.

In light of the above internal control measures, we are of the view that there are appropriate measures in place 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.

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2.3 *Historical transaction amounts and proposed annual caps*

The table below sets out (i) the existing annual caps for the years ended 31 December 2022 and 2023, and the year ending 31 December 2024; (ii) the actual transaction amounts of the sale of Equipment by the Group to PIL Group for the years ended 31 December 2022 and 2023 and from 1 January 2024 up to the Latest Practicable Date; and (iii) the proposed Annual Caps of the Transactions for the three years ending 31 December 2025, 2026 and 2027:

	For the year ended 31 December		
	2022	**2023**	**2024**
	US$	*US$*	*US$*
Existing annual caps	120,000,000	120,000,000	120,000,000

	For the year ended 31 December 2022 (audited)	For the year ended 31 December 2023 (audited)	For the year ending 31 December 2024 *(Note)* (unaudited)
	US$	*US$*	*US$*
Actual transaction amount	106,915,000	Nil	33,908,000

	For the year ending 31 December		
	2025	**2026**	**2027**
	US$	*US$*	*US$*
Proposed Annual Caps	120,000,000	105,000,000	110,000,000

Note: The actual transaction amount from 1 January 2024 up to the Latest Practicable Date represents: (i) the total value of equipment sold by the Group to PIL Group of US$1,452,000; and (ii) the value of unproduced purchase orders contracted by PIL Group to the Group of approximately US$32,456,000.

As shown in the table above, the historical actual transaction amount decreased from approximately US$106.9 million for the year ended 31 December 2022 to nil for the year ended 31 December 2023, representing a utilisation rate of approximately 89.1% and nil respectively. The historical actual transaction amount then increased to approximately US$33.9 million for the period from 1 January 2024 to the Latest Practicable Date, representing a utilisation rate of approximately 28.3%. As advised by the Directors, the nil sales transaction to PIL Group in 2023 and low aggregate sales value in 2024 were mainly due to the fact that PIL Group made fewer direct purchases from the Group in 2023 and 2024 after substantial purchases in 2022. In 2023, the operating environment was difficult due to high inflation, interest rate hikes by the world's central banks and various geopolitical tensions which affected the global trade volume. In response to this, container demand from shipping companies, including PIL, dropped substantially. Moreover, instead of purchasing from the Group, PIL Group might consider fulfilling its requirements of Equipment indirectly through container leasing, as described in the Company's announcement dated 31 January 2022. PIL Group considers its logistic requirements, cash flow planning and the proportion of self-owned assets when determining whether to undertake direct purchases or indirectly through container leasing.

We have discussed with the management of the Company on the basis in considering the proposed Annual Caps. We are given to understand that the proposed Annual Caps are determined after taking into account (i) the historical transaction amounts for each of the two years ended 31 December 2022 and 2023 and for the period from 1 January 2024 up to the Latest Practicable Date as shown in the table above as a reference of overall requirements; (ii) the Group's long term business relationship with PIL Group as its major supplier of the Equipment (whether directly or through leasing) such that the Company expects PIL Group to continue to purchase from the Group to meet its increasing Equipment requirements; (iii) the estimated Equipment requirements of PIL Group during the term of the Master Purchase Contract 2025 as advised by the General Manager of Logistic Division of PIL; and (iv) the expected market prices of the Equipment from the report published in the third quarter of 2024 by Drewry Shipping Consultant Limited ("**Drewry**"), a leading research and consulting services providers to the maritime and shipping industry.

In assessing the reasonableness of the proposed Annual Caps under the Master Purchase Contract 2025, we considered the following factors, including but not limited to:

(i) the historical transaction amounts for each of the two years ended 31 December 2022 and 2023 and for the period from 1 January 2024 up to the Latest Practicable Date

We have discussed with the management of the Company and understand that the nil sales transaction to PIL Group in 2023 and low aggregate sales value in 2024 were mainly due to the fact that PIL Group made fewer direct purchases from the Group in 2023 and 2024 after substantial purchases in 2022. We have reviewed the 2023 Annual Report and noted that the operating environment in 2023 was difficult due to high inflation, interest rate hikes by the world's central banks and various geopolitical tensions which affected the global trade volume. With global trade volume underperforming, the demand for dry freight containers was affected, with average selling price maintaining a downward trajectory.

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(ii) the Group's long term business relationship with PIL Group as its major supplier of the Equipment

We are given to understand that the Group has established long term business relationship with the PIL Group for more than 30 years as its major supplier of the Equipment. The Company expected PIL Group to continue to purchase from the Group.

(iii) the estimated Equipment requirements of PIL Group during the term of the Master Purchase Contract 2025

Notwithstanding the low sales transaction to PIL Group in 2023 and 2024, the Company expects that the Equipment requirements of PIL Group will increase from 2025 to 2027. We have discussed with the management of the Company and understand that the planned Equipment purchases are calculated based on the replacement demand of PIL's existing Equipment, the expected new vessel deliveries and the expected growth of its business volume for certain shipping routes.

According to PIL, PIL Group has ordered 13 vessels with total capacity of more than 150,000 Twenty-Foot Equivalent Units ("**TEU**"), four vessels with 14,000 TEU will gradually deliver from end of 2024, four vessels with 8,200 TEU are expected to deliver in 2025 and five vessels with 13,000 TEU are expected to deliver gradually from end of 2026. New containers are required to fill the new shipping slots generated from the newly delivered vessels. In general, the container to vessel slot ratio is approximately 1.65, meaning 1.65 TEU of new container are required for a new shipping slot. The increase of 153,800 shipping slots required additional of approximately 250,000 TEU of containers, significantly increasing its demand for new containers. PIL currently has a total of 520,000 TEU of dry containers on its fleet. Based on its replacement policy to replace approximately 7% of its container fleet annually, it will increase approximately 36,000 TEU of dry containers demand every year. The introduction of new container line services connecting various ports will also require additional containers to support the services.

We have also obtained and reviewed the calculations in arriving the proposed Annual Caps and noted that the estimated sales of the Equipment to the PIL Group are based on PIL's fleet expansion plan to be implemented from 2025 to 2027. We have reviewed the official website of the PIL Group (https://www.pilship.com/) and noted from the recent announcements that it has implemented several business expansion service lines in 2024, among others, the launch of a new weekly direct service connecting key ports in China and Bangladesh, the opening of branch office in Busan, South Korea and the introduction of two revamped weekly direct services, connecting key ports in China, Singapore, with Brazil, Argentina and Uruguay, which is an enhancement of PIL's existing Sino South America service and South America service. In light of the above, we consider that the PIL Group's increasing demand for Equipment is reasonable.

(iv) the expected market prices of the Equipment

We have reviewed the prevailing market unit price of Equipment used by the Company in the calculations in arriving the proposed Annual Caps with the unit prices of Equipment of similar nature as stated in the sample of recent individual purchase order agreement entered into between the Group and other independent third party customers and noted that the prevailing market unit price is in line with the recent market price.

We have further researched on the official website of Drewry and noted that the world container index increased by approximately 30.7% from 4 January 2024 to 3 October 2024, being the latest available information before the Latest Practicable Date. This demonstrates that the demand for international shipping has been increasing in 2024. According to the container equipment forecaster report published by Drewry in the third quarter of 2024, it is projected the market price of each of the 20-foot containers to be sold at US$2,390, US$2,040 and US$2,145 in year 2025, 2026 and 2027 respectively.

In light of the principal factors as discussed above, we are of the view that the bases and assumptions adopted by the Group in arriving the proposed Annual Caps for the Transactions contemplated under the Master Purchase Contract 2025 for the three financial years ending 31 December 2025, 2026 and 2027 are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the opinion that (i) the terms of the Master Purchase Contract 2025 and, together with the bases of determining the proposed Annual Caps are fair and reasonable; (ii) the Transactions contemplated under the Master Purchase Contract 2025 are on normal commercial terms; and (iii) the entering into of the Master Purchase Contract 2025 is in the Group's ordinary and usual course of business and, together with the proposed annual caps, 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 recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Goldlink Capital (Corporate Finance) Limited

Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Goldlink Capital (Corporate Finance) Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

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