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SITC International Holdings Company Limited

海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1308)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Financial Highlights

- Revenue for the six months ended 30 June 2023 was approximately US\$1,253.4 million, decreased by approximately 44.5% as compared to approximately US\$2,257.7 million for the corresponding period in 2022.
- Gross profit for the six months ended 30 June 2023 decreased by approximately 72.4% from approximately US\$1,204.4 million for the six months ended 30 June 2022 to approximately US\$332.2 million, which translated to a decrease in gross profit margin to approximately 26.5% for the six months ended 30 June 2023 from approximately 53.3% for the six months ended 30 June 2022.
- Profit for the six months ended 30 June 2023 decreased by approximately 73.3% to approximately US\$312.7 million from approximately US\$1,170.3 million for the corresponding period in 2022.
- Basic earnings per share for the six months ended 30 June 2023 amounted to US11.70 cents (30 June 2022: US43.95 cents).
- An interim dividend of HK60 cents per share (equivalent to US7.66 cents per share) was declared for the six months ended 30 June 2023.

The board (the “**Board**”) of directors (the “**Directors**”) of SITC International Holdings Company Limited (“**SITC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 as below.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	<i>Notes</i>	2023 <i>US\$'000</i> (Unaudited)	2022 <i>US\$'000</i> (Unaudited)
REVENUE	3	1,253,379	2,257,663
Cost of sales		<u>(921,201)</u>	<u>(1,053,244)</u>
Gross profit		332,178	1,204,419
Other income and gains, net		58,777	53,284
Administrative expenses		(63,981)	(79,214)
Other expenses, net		(4,402)	(1,183)
Finance costs	4	(10,511)	(7,780)
Share of profits and losses of:			
Joint ventures		10,027	11,519
Associates		<u>153</u>	<u>240</u>
PROFIT BEFORE TAX	5	322,241	1,181,285
Income tax	6	<u>(9,561)</u>	<u>(11,003)</u>
PROFIT FOR THE PERIOD		<u><u>312,680</u></u>	<u><u>1,170,282</u></u>

Six months ended 30 June	
2023	2022
<i>US\$'000</i>	<i>US\$'000</i>
(Unaudited)	(Unaudited)

OTHER COMPREHENSIVE INCOME/(LOSS)

Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:

Cash flow hedges:

Effective portion of changes in fair value of hedging instruments arising during the period

(797) 14,575

Reclassification adjustments for gains included in profit or loss

(7,669) (447)

(8,466) 14,128

Exchange differences on translation of foreign operations

(7,333) (7,588)

Share of other comprehensive loss of joint ventures

(4,924) (906)

Share of other comprehensive loss of associates

(522) (464)

Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods

(21,245) 5,170

	Six months ended 30 June	
<i>Note</i>	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	<u>(21,245)</u>	<u>5,170</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>291,435</u>	<u>1,175,452</u>
Profit for the period attributable to:		
Shareholders of the Company	310,297	1,167,351
Non-controlling interests	<u>2,383</u>	<u>2,931</u>
	<u>312,680</u>	<u>1,170,282</u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	289,234	1,173,129
Non-controlling interests	<u>2,201</u>	<u>2,323</u>
	<u>291,435</u>	<u>1,175,452</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8	
Basic (US cents per share)	<u>11.70</u>	<u>43.95</u>
Diluted (US cents per share)	<u>11.56</u>	<u>43.51</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2023	31 December 2022
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,578,622	1,396,647
Right-of-use assets		236,003	262,923
Advance payments for acquisition of vessels		45,170	111,722
Goodwill		976	1,019
Other intangible assets		1,579	1,579
Investments in joint ventures		58,035	57,777
Investments in associates		13,600	9,630
Derivative financial instruments		6,360	12,589
		<hr/>	<hr/>
Total non-current assets		1,940,345	1,853,886
CURRENT ASSETS			
Bunkers		42,080	53,205
Trade receivables	9	99,849	139,051
Prepayments, deposits and other receivables		40,255	34,487
Derivative financial instruments		1,759	5,116
Financial assets at fair value through profit or loss		38,700	15,580
Cash and bank balances		529,993	981,531
		<hr/>	<hr/>
Total current assets		752,636	1,228,970
CURRENT LIABILITIES			
Trade payables	10	210,248	209,102
Other payables and accruals		136,304	177,092
Derivative financial instruments		72	2,992
Bank borrowings		70,716	34,829
Lease liabilities		51,582	54,841
Income tax payables		7,642	9,508
		<hr/>	<hr/>
Total current liabilities		476,564	488,364

	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
NET CURRENT ASSETS	<u>276,072</u>	<u>740,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,216,417</u>	<u>2,594,492</u>
NON-CURRENT LIABILITIES		
Bank borrowings	137,754	236,609
Lease liabilities	168,863	189,758
Provision for reinstatement costs	<u>3,057</u>	<u>3,114</u>
Total non-current liabilities	<u>309,674</u>	<u>429,481</u>
Net assets	<u><u>1,906,743</u></u>	<u><u>2,165,011</u></u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	34,583	34,582
Reserves	<u>1,858,186</u>	<u>2,115,958</u>
	<u>1,892,769</u>	2,150,540
Non-controlling interests	<u>13,974</u>	<u>14,471</u>
Total equity	<u><u>1,906,743</u></u>	<u><u>2,165,011</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1.1 CORPORATE INFORMATION

SITC International Holdings Company Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is located at 31/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the following businesses:

- the provision of integrated shipping logistics services, including provision of container transportation, freight forwarding, shipping agency, depot, warehousing services, container vessel leasing, land leasing and other services.

In the opinion of the directors, the immediate holding company of the Company is Resourceful Link Management Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and the ultimate holding company of the Company is Better Master Limited, which is incorporated in the BVI.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). This interim condensed consolidated financial information is presented in the United States dollar (“**US\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

This interim condensed consolidated financial information has not been audited but has been reviewed by the Audit Committee of the Company. It does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2022.

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendment to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendment to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendment to HKAS 12	<i>International Tax Reform - Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The amendments did not have any significant impact on the Group's interim condensed consolidated financial information.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

2. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2023

The Group's operating income was derived from the provision of container transportation, freight forwarding, shipping agency, depot, warehousing services, container vessel leasing, land leasing and other services. For the purposes of resource allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment.

Six months ended 30 June 2022

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- (a) the container shipping and logistics segment, which is engaged in the provision of integrated shipping logistics services, including the provision of container transportation, freight forwarding, shipping agency, depot, warehousing services; and
- (b) the dry bulk and others segment, which is engaged in the provision of dry bulk vessel leasing, land leasing and other services.

Segment assets exclude cash and bank balances, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, derivative financial instruments, dividend payables, income tax payables and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Basis of segment information

	Container shipping and logistics	Dry bulk and others	Total
	Six months ended 30 June 2022 <i>US\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>US\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>US\$'000</i> (Unaudited)
Segment revenue (note 3):			
Sales to external customers	<u>2,247,722</u>	<u>9,941</u>	<u>2,257,663</u>
Segment results	<u>1,166,949</u>	<u>16,863</u>	1,183,812
<i>Reconciliation:</i>			
Bank interest income			5,123
Investment income of principal-protected investment deposits at fair value through profit or loss			130
Finance costs			<u>(7,780)</u>
Profit before tax			<u>1,181,285</u>
	Container shipping and logistics	Dry bulk and others	Total
	31 December 2022 <i>US\$'000</i> (Audited)	31 December 2022 <i>US\$'000</i> (Audited)	31 December 2022 <i>US\$'000</i> (Audited)
Segment assets	<u>1,513,395</u>	<u>18,972</u>	1,532,367
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,550,489</u>
Total assets			<u>3,082,856</u>
Segment liabilities	<u>587,567</u>	<u>437</u>	588,004
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>329,841</u>
Total liabilities			<u>917,845</u>

3. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2023 <i>US\$'000</i> (Unaudited)	2022 <i>US\$'000</i> (Unaudited)
Revenue from contracts with customers	1,252,182	2,247,722
Revenue from other sources:		
Vessels time charter income	154	9,110
Other rental income	1,043	831
	<u>1,253,379</u>	<u>2,257,663</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2023 <i>US\$'000</i> (Unaudited)	2022 <i>US\$'000</i> (Unaudited)
Interest on bank borrowings	5,616	3,168
Interest on lease liabilities	4,832	4,553
Increase in discounted amounts of provision for reinstatement costs arising from the passage of time	<u>63</u>	<u>59</u>
Total finance costs	<u>10,511</u>	<u>7,780</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided:		
Cost of bunkers consumed	162,742	212,021
Others	758,459	841,223
	<u>921,201</u>	<u>1,053,244</u>
Depreciation of property, plant and equipment	48,173	41,443
Less: Included in cost of services provided	<u>(46,109)</u>	<u>(39,500)</u>
	<u>2,064</u>	<u>1,943</u>
Depreciation of right-of-use assets	29,736	28,342
Less: Included in cost of services provided	<u>(28,417)</u>	<u>(26,310)</u>
	<u>1,319</u>	<u>2,032</u>
Fair value loss of a financial asset at fair value through profit or loss*	752	–
Impairment loss/(reversal of impairment) of trade receivables, net*	<u>10</u>	<u>(16)</u>

* These items are included in “Other expenses, net” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

	Six months ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Current:		
Mainland China	2,867	2,009
Hong Kong	415	360
Elsewhere	6,279	8,634
	<hr/>	<hr/>
Total tax expense for the period	9,561	11,003
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 16.5%). Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The share of income tax expense attributable to joint ventures and associates for the six months ended 30 June 2023 amounting to US\$2,851,000 (six months ended 30 June 2022: US\$3,330,000) are included in “Share of profits and losses of joint ventures and associates” in the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 16 August 2023 (Wednesday), the Board resolved to declare an interim dividend of HK60 cents (equivalent to US7.66 cents) (six months ended 30 June 2022: HK240 cents, equivalent to US30.68 cents) per share, totaling US\$205,414,000 (six months ended 30 June 2022: US\$820,424,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the period less shares held under share award scheme of the Company.

The calculation of the diluted earnings per share is based on the profit for the period attributable to shareholders of the Company; and the weighted average number of ordinary shares used in the calculation is the total of (i) weighted average number of ordinary shares in issue during the period as used in the basic earnings per share calculation; (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options into ordinary shares; and (iii) the weighted average number of ordinary shares assumed to have been awarded at no consideration on the deemed exercise of all rights of shares held under the share award scheme of the Company.

The calculations of the basic and diluted earnings per share amounts are based on:

	Six months ended 30 June	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	310,297	1,167,351
	2,651,290,996	2,656,295,482
Number of shares for the six months ended 30 June		
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period less shares held under the share award scheme, used in the basic earnings per share calculation		
Effect of dilution – weighted average number of ordinary shares:		
Share options	532,856	767,815
Shares held under the share award scheme	31,297,036	26,133,467
Weighted average number of ordinary shares during the period, used in the diluted earnings per share calculation	2,683,120,888	2,683,196,764

9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Within 1 month	83,481	114,280
1 to 2 months	10,025	18,225
2 to 3 months	4,124	4,902
Over 3 months	2,219	1,644
	<hr/> 99,849 <hr/>	<hr/> 139,051 <hr/>

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Within 1 month	155,777	158,363
1 to 2 months	20,862	24,331
2 to 3 months	7,891	4,999
Over 3 months	25,718	21,409
	<hr/> 210,248 <hr/>	<hr/> 209,102 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

SITC is one of Asia's leading shipping logistics companies that provides integrated transportation and logistics solutions.

Business Review

The Group's business covers integrated shipping logistics services, such as the provision of container transportation, freight forwarding, shipping agency, depot, warehousing services, container vessel leasing, land leasing and other services. During the six months ended 30 June 2023, the Group's business continued to provide container transportation and integrated logistics services that focus exclusively on the Asia market, as the Company believes that the Asia trade market will continue to experience healthy growth.

As of 30 June 2023, the Group operated 72 trade lanes, including 15 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 77 major ports in various countries and regions including Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia, Brunei, Bengal, Myanmar and India. As of 30 June 2023, the Group operated a fleet of 100 vessels with a total capacity of 159,505 TEU, comprised of 89 self-owned (147,413 TEU) and 11 chartered vessels (12,092 TEU), with an average age of 8 years. Of these 100 vessels, 76 were of less than 2,000 TEU, and 24 were of 2,000 TEU to 3,000 TEU. For the six months ended 30 June 2023, US\$171.4 million out of US\$190.1 million of paid out capital expenditure was attributable to vessel purchases. As of 30 June 2023, the Group had one 1,043 TEU self-owned vessel on lease. In addition, the Group also operated (including through joint ventures) approximately 1,666,158 m² of depot and 128,322 m² of warehousing space.

Revenue of the Group for the first half of 2023 decreased by approximately 44.5% from approximately US\$2,257.7 million for the six months ended 30 June 2022 to approximately US\$1,253.4 million for the corresponding period in 2023. The decrease was a result of a combined effect, where (i) container shipping volume decreased by approximately 3.8% from 1,611,495 TEUs for the six months ended 30 June 2022 to 1,550,075 TEUs for the corresponding period in 2023; and (ii) average freight rate (excluding slot exchange fee income) decreased by approximately 46.1% from US\$1,239.1/TEU for the six months ended 30 June 2022 to US\$667.5/TEU for the corresponding period in 2023.

Since the beginning of this year, the container shipping and logistics market has faced the dual pressure from a substantial increase in effective shipping capacity and a sharp decline in demand caused by the economic cycle, and the industry has gradually fallen into a downturn. The Group continued to optimize its unique operation model, adhere to the sea-land integrated service to meet customer's demand for supply chain management, and strive to become a world-class integrated logistics service solutions provider. At the same time, with its insight into the relationship between supply and demand of the industry, the Group has flexibly adjusted its shipping capacity, and reduced the average vessel age to 8 years, so as to maintain long-term cost advantages and continuously reduce harmful emissions. The Group's outstanding performance in terms of efficiency, effectiveness and cash flow can still bring sustainable and stable returns to all stakeholders.

Financial Overview

	Six months ended 30 June			
	2023	2022	2022	2022
	Total		Container shipping and logistics	Dry bulk and others
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	1,253,379	2,257,663	2,247,722	9,941
Container shipping and supporting logistics income	1,142,528	2,085,526	2,085,526	–
Other container logistics income	109,654	162,196	162,196	–
Other income	1,197	9,941	–	9,941
Cost of sales	(921,201)	(1,053,244)	(1,047,496)	(5,748)
Equipment and cargos transportation costs	(467,477)	(493,588)	(493,588)	–
Voyage costs	(209,038)	(252,949)	(252,949)	–
Container shipping vessels cost	(163,193)	(179,830)	(179,830)	–
Other container logistics costs	(81,021)	(121,129)	(121,129)	–
Other costs	(472)	(5,748)	–	(5,748)
Gross profit	332,178	1,204,419	1,200,226	4,193
Other income and gains (excluding bank interest income, other investment income and fair value gain on a financial asset)	38,885	48,031	35,228	12,803
Administrative expenses	(63,981)	(79,214)	(79,081)	(133)
Share of profits of:				
Joint ventures	10,027	11,519	11,519	–
Associates	153	240	240	–
Other expenses, net	(4,402)	(1,183)	(1,183)	–
Segment results	312,860	1,183,812	1,166,949	16,863
Finance costs	(10,511)	(7,780)		
Bank interest, other investment income and fair value gain on a financial asset	19,892	5,253		
Profit before tax	322,241	1,181,285		
Income tax	(9,561)	(11,003)		
Profit for the period	312,680	1,170,282		
Profit attributable to:				
Shareholders of the Company	310,297	1,167,351		
Non-controlling interests	2,383	2,931		
	312,680	1,170,282		

The following table sets forth the number of trade lanes and port calls per week of the Group as at 30 June 2022 and 2023, and the average freight rate for the six months ended 30 June 2022 and 2023:

Six months ended 30 June		As of 30 June			
2023	2022	2023	2022	2023	2022
<i>Average freight rate</i>		<i>Number of trade lanes</i>		<i>Port calls per week</i>	
<i>(US\$ per TEU, excluding slot exchange rate)</i>					
667.5	1,239.1	72	77	443	457

Revenue

The Group's total revenue decreased by approximately 44.5% from approximately US\$2,257.7 million for the six months ended 30 June 2022 to approximately US\$1,253.4 million for the corresponding period in 2023. The decrease was a result of a combined effect, where (i) container shipping volume decreased by approximately 3.8% from 1,611,495 TEUs for the six months ended 30 June 2022 to 1,550,075 TEUs for the corresponding period in 2023; and (ii) average freight rate (excluding slot exchange fee income) decreased by approximately 46.1% from US\$1,239.1/TEU for the six months ended 30 June 2022 to US\$667.5/TEU for the corresponding period in 2023.

Cost of Sales

The Group's cost of sales decreased by approximately 12.5% from approximately US\$1,053.2 million for the six months ended 30 June 2022 to approximately US\$921.2 million for the corresponding period in 2023. The decrease was mainly attributable to (i) the decrease in bunker costs of approximately US\$49.3 million due to a decrease in bunker rate; and (ii) the decrease in chartering vessel costs of approximately US\$29.0 million due to the decrease in chartered vessel volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit decreased from approximately US\$1,204.4 million for the six months ended 30 June 2022 to approximately US\$332.2 million for the six months ended 30 June 2023. The Group's gross profit margin decreased from approximately 53.3% for the six months ended 30 June 2022 to approximately 26.5% for the corresponding period in 2023.

Other Income and Gains (excluding bank interest income, other investment income and fair value gain on a financial asset)

For the six months ended 30 June 2023, other income and gains (excluding bank interest income, other investment income and fair value gain on a financial asset) decreased by approximately US\$9.1 million from approximately US\$48.0 million for the six months ended 30 June 2022 to approximately US\$38.9 million for the corresponding period in 2023. The decrease was a result of a combined effect, reflecting (i) the gains on disposal of vessels of approximately US\$22.1 million from the disposal of 4 container vessels during the first half of 2023, as compared to approximately US\$42.9 million from the disposal of 1 container vessel and 5 dry bulk vessels for the corresponding period in 2022; (ii) a year-on-year increase of approximately US\$7.9 million in the fair value gains on derivative instruments; and (iii) a year-on-year increase of approximately US\$3.2 million in foreign exchange gain.

Bank Interest Income, Other Investment Income and Fair Value Gain on a Financial Asset

The Group's bank interest income, other investment income, and fair value gain on a financial asset was approximately US\$19.9 million and US\$5.3 million for the six months ended 30 June 2023 and 2022, respectively. The increase was mainly attributable to the increase in average deposit interest rate.

Administrative Expenses

The Group's administrative expenses decreased from approximately US\$79.2 million for the six months ended 30 June 2022 to approximately US\$64.0 million for the corresponding period in 2023, representing a decrease of approximately 19.2%. The decrease was primarily attributable to the overall decrease in staff cost.

Other Expenses, net

The Group's other expenses, net were approximately US\$4.4 million and US\$1.2 million for the six months ended 30 June 2023 and 2022, respectively. The increase was mainly attributable to the provision for litigation of approximately US\$3.5 million.

Finance Costs

The Group's finance costs increased from approximately US\$7.8 million for the six months ended 30 June 2022 to approximately US\$10.5 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in borrowing interest rate.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by approximately 13.0% from approximately US\$11.5 million for the six months ended 30 June 2022 to approximately US\$10.0 million in for the six months ended 30 June 2023. The decrease was mainly attributable to the decline in the profits of part of the jointly controlled depots.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.2 million for both the six months ended 30 June 2023 and 2022. There was no material change in the amount.

Profit before Tax

As a result of the foregoing, the Group's profit before tax decreased from approximately US\$1,181.3 million for the six months ended 30 June 2022 to approximately US\$322.2 million for the corresponding period in 2023.

Income Tax Expenses

The Group's income tax expense was approximately US\$9.6 million and US\$11.0 million for the six months ended 30 June 2023 and 2022, respectively. The decrease was primarily attributable to the decrease in taxable profit of the Group.

Profit for the Period

The Group's profit for the six months ended 30 June 2023 was approximately US\$312.7 million, representing a decrease of approximately US\$857.6 million over the profit of approximately US\$1,170.3 million for the corresponding period in 2022.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group decreased by approximately 12.6% from approximately US\$3,082.9 million as at 31 December 2022 to approximately US\$2,693.0 million as at 30 June 2023. As at 30 June 2023, the Group had cash and cash equivalents amounting to approximately US\$530.0 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group decreased by approximately 14.3% from approximately US\$917.8 million as at 31 December 2022 to approximately US\$786.2 million as at 30 June 2023. At 30 June 2023, the Group had secured interest-bearing bank loans of approximately US\$208.5 million. The maturity profile is spread over a period, with approximately US\$70.7 million repayable within one year or on demand, approximately US\$83.7 million within the second year, approximately US\$54.1 million within the third to fifth years.

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 30 June 2023, the Group had no foreign exchange hedging instruments (31 December 2022: Nil) of its foreign currency sales.

As at 30 June 2023, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.6 compared to that of 2.5 as at 31 December 2022. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes bank borrowings, lease liabilities, trade and other payables and accruals, less cash and bank balances. Adjusted capital includes equity attributable to shareholders of the Company less the hedging reserve. The Group's gearing ratio was 12% and 0% as at 30 June 2023 and 31 December 2022, respectively.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2023, the Group's bank loans were secured by mortgages over the Group's container vessels which had an aggregate carrying value at the end of the reporting period of approximately US\$237.8 million (31 December 2022: US\$459.5 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had an aggregate of 2,093 full-time employees (excluding crew member, 30 June 2022: 2,036). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$102.2 million (30 June 2022: US\$110.8 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group has in place a post-IPO share option scheme and adopted a share award scheme on 13 September 2017 (the "**Share Award Scheme**"). Further information of the post-IPO share option scheme and the Share Award Scheme will be available in the interim report of the Company for the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2023, a total of 10 new container vessels were delivered, with another 10 container vessels to be delivered by the end of 2024. Save as otherwise, the Group did not have other significant investments during the six months ended 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2023, the Group disposed of and delivered a total of 4 old container vessels. Unless otherwise indicated, the Group did not have other material acquisitions or disposals of its subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company will continue to purchase container vessels, containers and invest in logistics projects, as and when appropriate. The Company expects that the internal financial resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed, the Company does not have any future plans for significant investments or capital assets as at the date of this announcement.

INTERIM DIVIDEND

At the meeting of the Board held on 16 August 2023, the Board resolved to declare an interim dividend of HK60 cents (equivalent to US7.66 cents) (six months ended 30 June 2022: HK240 cents) per share for the six months ended 30 June 2023 to shareholders whose name appear on the register of members of the Company at the close of business on 4 September 2023 (Monday). The dividend is expected to be paid on or before 14 September 2023 (Thursday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from 30 August 2023 (Wednesday) to 4 September 2023 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 August 2023 (Tuesday).

OTHER INFORMATION

Purchase, Sale and Redemption of Shares

During the period from 26 April 2023 to 29 June 2023, the trustee of the Share Award Scheme purchased on the market an aggregate of 6,440,000 Shares for the purpose of the Share Award Scheme at an average consideration of approximately HK\$14.02 per share, totalling approximately HK\$90.27 million for the purpose of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

Corporate Governance

The Company is committed to maintaining stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the period throughout the six months ended 30 June 2023, the Board is of the view that the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and there had been no deviation from the code provisions set out in the CG Code for the six months ended 30 June 2023.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules and devised its own code of conduct regarding directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Having made specific enquiries, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Company Code throughout the six months ended 30 June 2023.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors. The members currently are Dr. Liu Ka Ying, Rebecca (chairlady of the Audit Committee), Mr. Tse Siu Ngan and Dr. Hu Mantian (Mandy). The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2023.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.sitc.com>). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the aforesaid websites in due course.

By order of the Board
SITC International Holdings Company Limited
Yang Shaopeng
Chairman

Hong Kong, 16 August 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Yang Shaopeng, Mr. Yang Xianxiang, Mr. Liu Kecheng, Mr. Xue Mingyuan and Mr. Lai Zhiyong; the non-executive Director is Ms. Yang Xin; and the independent non-executive Directors are Dr. Liu Ka Ying, Rebecca, Mr. Tse Siu Ngan and Dr. Hu Mantian (Mandy).