**Briefing of SITC 2025 Interim Results Investor Conference**

Date：15 August 2025

Time： 2:00pm (HKT)

Method: Tencent Video Conference

Senior management present:

Chairman and Executive Director Yang Xianxiang

CEO and Executive Director Xue Mingyuan

Executive Director and General Manager of Liu Kecheng

Finance Center and Investment Center

Directorate Secretary and General Manager Xue Peng

of Operation Management Center

Senior management made a review on company development, operation results and financial metrics for the half of year of 2025 (Refer to PPT as attached). And then a Q&A section was entered.

Q1 (Liu Gangxian, CICC): Thank you, management. The interim results are as excellent as ever. I have two questions. First, cargo volumes and freight rates in the first half of the year were very good. What is management's outlook for cargo volumes in the second half of the year?

A (CEO Xue): commented that cargo volumes in the first half of this year were very good overall. The first quarter continued the trend of the second half of last year, with strong growth. In April, there was a one- or two-week fluctuation due to tariffs. By July and August, cargo volumes had increased year-on-year, with the majority coming from Southeast Asia.

Q (Liu Gangxian, CICC): My second question is more mid- to long-term. People are concerned about supply, especially for small vessels. Reports indicate that the supply of small vessel capacity will decline by 2030, which contradicts the overall supply of shipping capacity. What is management's outlook on the market outlook in Asia over the next few years? We see that the company has added four vessels due for delivery in 2028, but the pressure on deep-sea vessels to deliver in 2027 and 2028 is considerable. So, strategically, is the company's approach more offensive or defensive?

A (Chairman): The overall performance of the past few years in Asia is expected to continue. Our market forecast predicts that cargo volumes in Asia will continue to grow, outpacing those in Europe and the United States. To address this market demand, the company remains committed to its principles and strategic approach, focusing on operations in Asia and providing customers with an Asia-centric network-based service model. We will continue to utilize small feeder vessels to provide customers with high-frequency and high-density services.

Q2(Lin Shan, Huatai Securities): First of all, congratulations to the company on its excellent performance. I have two questions. The first is that the company's chartered vessels increased in the first half of the year, and the cost per container also increased accordingly. Does the company have any plans to charter additional vessels in the second half of the year or in 2026? The second question is that management just mentioned that this year is the first year of AI for the company. Other industries have discussed AI more, but shipping is a relatively traditional industry. What are the application scenarios of AI in the company's business? Will it have a relatively positive contribution to cost and efficiency? Thank you.

A (CEO Xue): As of the first half of the year, the company has chartered a total of 18 vessels, but none of them are on long-term charters. We don't expect many new deliveries in the second half of this year or next year, so the number of vessels on time charter will increase, but not significantly. Current vessel charter rates are relatively high, and we expect them to decline in the second half of this year or next. If they do, we might deploy more vessels. The specific details will depend on freight rates and ship charter rates.

A (Chairman): Regarding AI applications, the past two decades can be divided into two periods. The first was the information explosion. Information access shifted from newspapers, radio, and television to the internet, resulting in a massive increase in the volume of information. The second was the mobile internet era, a period of further information explosion. While technological changes have brought improvements to management efficiency for businesses, reflected in significant increases in per capita sales, profit margins, and business volume, customer experience has not improved significantly. This year, open-source AI, exemplified by Deepseek, will bring unprecedented opportunities and revolution to the AI industry. For companies, improving management efficiency is an internal matter. Improving customer experience is what truly delivers value to our customers. Therefore, starting this year, we will focus on increasing our investment in AI R&D. Using AI technology to truly enhance the customer experience, we will further improve our efficiency and profitability. This is our goal.

Q3 (Han Jun, CITIC Construction Investment): Congratulations to management for the excellent performance in the first half of this year. I would like to ask if management could break down the freight rates for China-Japan routes, Southeast Asia routes, and India-Pakistan routes, as well as the outlook for these three regional routes in the second half of the year. Thank you.

A (Chairman): Although the freight rates in the Southeast Asian market have increased more significantly, Japan's demand is also very strong this year and its economic situation is also good, so Japan's import volume has still increased significantly.

A (CEO Xue): The freight rate increases in Southeast Asia and India and Pakistan are greater than those in China and Japan.

Q (Han Jun, CITIC Construction Investment): I've recently seen some detailed data on freight rates on the China-Japan route. From January to May this year, for example, freight rates from Shanghai to Japan generally increased by 20 %. The absolute prices are quite high, with 40-foot containers costing $1,300 to $1,400, and 20 -foot containers around $ 800. So, historically, have freight rates on the China-Japan route been around $600? Is the central value rising now?

A (CEO Xue): Freight rates on the China-Japan route are relatively stable, with some improvement compared to previous years. However, the 20% increase may not be entirely due to freight revenue; it could be simply due to an increase in ocean freight costs. Costs in Japan are also relatively high, so freight revenue appears to be higher as well.

Q (Han Jun, CITIC Construction Investment) Will there be any special dividends this year?

A (Chairman): It depends on the cash flow situation in the second half of the year. If the cash flow is good, there is a high possibility of a special dividend.

Q4(Zhang Hui, Shenwan Hongyuan): First, congratulations to the company on its strong performance in the first half of this year. While the SCFI index showed a slight decline compared to the second half of last year, the company's first-half performance remained very close to that of the second half of last year, reflecting the company's successful operations in the first half of this year. I have two questions. The first is about ship charter rates. Spot prices fluctuated in the first half of the year, but the price trend was downward. Why did small vessel charter prices continue to climb in the first half of the year? How do shipping companies understand this?

A (Chairman): This year has been quite special. Charters for 1,000-2,000 TEU vessels have been very strong and are trending upward. From a supply and demand perspective, one reason is the strong demand for these vessels. Another factor is insufficient supply. This is due in part to the relatively low number of smaller vessel deliveries and, in part, the fact that approximately 30 % of the existing small vessels are over 20 years old and operate inefficiently. Another factor is the Gemini Alliance, formed this year by Maersk and Hapag-Lloyd, which transformed the existing east-west shipping model. This shift has reduced port calls and shifted to a direct, large-vessel, port-to-port model. This model requires the deployment of feeder vessels on both sides. Since the alliance's inception, they have mobilized nearly 40 smaller vessels from around the world, further exacerbating the shortage of smaller vessels. Consequently, charter rates for these small vessels have risen significantly in the first half of this year.

Q (Zhang Hui, Shenwan Hongyuan): My second question is about exports. Our cargo volume grew by 7 percentage points in the first half of the year, which is very strong. Trade volume within ASEAN also grew strongly in the first half of the year. After the US tariffs on ASEAN are implemented in the second half of the year, what has been the response from customers or shippers to these tariffs? Are future costs and trade flows more certain, or will they translate into additional costs, thereby suppressing export demand in the second half of the year?

A (CEO Xue): When the tariff policy was first announced, customers were very concerned about it. However, the impact on orders has been much smaller than we expected. We recently communicated with customers and found that they have shown relatively little reaction. Production capacity and orders in Southeast Asia are generally proceeding as expected. With the exception of some sensitive products in certain regions, such as Cambodia, where individual customers have reacted, the overall situation appears to be relatively stable, and raw material shipments to Southeast Asia will remain as strong as in previous years.

Q5 (Frank Yip, Daiwa): I have two questions. The first is that there are more and more uncertainties now. Will the traditional peak season still exist this year? The second is about the supply issue. I just mentioned that the supply of small ships is relatively tight, especially the impact of the US 301 policy on Chinese shipyards. Is it possible that this will lead to a sudden increase in orders for small ships in the future? I have recently observed that the situation of China's slipway orders is not particularly good. Is it possible that shipyards are more inclined to build small boats?

A (Chairman): This year's peak season will return. There's a high probability that it will continue, even though this year's off-season hasn't been very slow. Regarding small vessel construction, shipyards may have a more persuasive position on this issue. From what we've observed, small vessel deliveries are insufficient, while charter rates remain high, which has attracted some shipowners and operators to place orders in this area. Regarding discriminatory US policies, small vessels under 4,000 TEU are exempted, suggesting investors believe they won't be affected even if the US policy is implemented in the future.

Q 6 (Yang Zhenhua, Guosheng Securities): I have two questions. The first one is how many old ships we have planned to dispose of and what the approximate disposal plan is. The second question is that we have communicated with some freight forwarders and cargo owners, and they have reported that SITC has certain advantages in quoting in the region, especially in Southeast Asia, and has a certain premium. Moreover, because the company’s service and timeliness are better, customers are also willing to accept such a premium. I would like to ask how our premium level performs in different business cycles of the industry. For example, when the cycle is on the rise, how much premium will we have? When the cycle is on the decline, does a premium exist? If so, what is the approximate level?

A (Chairman): We do have some old ships, especially those over 20 years old, but not many, no more than ten. We have plans to dispose of these ships, but it also depends on the market. If the price is right, we will dispose of them. If not, we can use them ourselves.

A (CEO Xue): Our products command a certain price premium, which is something we strive for. This reflects customer recognition and acceptance of our services. During market downturns, our premium is low. During downturns, the premium may be higher. In absolute terms, the difference between off-season and peak season is not significant.

Q7(Liang Li, Ridge Capital): I have two questions. The first one is that since the outbreak of the epidemic, the entire industry has been at a relatively high level of profitability, especially for us, the profitability is also very strong. Could the management please give us an outlook on whether this prosperity and profitability can be maintained in the next few years? Including which major events or risks in the industry will we pay more attention to in the future? The second question is that an investor just asked about the large supply gap between small ships and shipyards in the industry. With the increase in freight volume and routes in the region, is it possible to be more conducive to some medium and large ships entering this area, thereby increasing the supply in the region and affecting profitability? Thank you.

A (Chairman): This question is quite broad. The economic outlook for the next few years will be very different from that of the past decade or even twenty. Over the past three to five years, from the pandemic until now, the industry has remained relatively strong. Such a sustained period of prosperity hasn't been seen in many years. This is due to the continuous expansion of market demand, the increasing global trade volume and division of labor, and the growth of freight volumes. From the supply side, the global financial crisis of 2008 presented significant challenges. The number of competitors decreased significantly, and new shipbuilding also plummeted, particularly at shipyards. Shortages occurred across the entire supply chain, leading to the distorted situation from 2020 to 2022. While things returned to normal somewhat, the Red Sea crisis re-emerged, further restricting the supply of ships and increasing supply pressure. Another issue that has persisted throughout this entire situation is the increasingly severe port congestion. During typhoon season, port congestion at Shanghai Port increased from one and a half days to three or four days. Ningbo and other ports also experienced similar problems. Once such congestion occurs, it is difficult to resolve quickly. The situation is even more serious at the Port of Bangladesh. Large vessels require longer operating times at the port, but port efficiency has not improved. Larger vessels have increased carrying capacity tenfold, but port loading and unloading efficiency has not increased as much. This is a factor hindering the rapid development of the entire industry, and there is no quick fix. Overall, global demand is increasing, and special events have exacerbated supply constraints. Coupled with the inclusion of the port as a variable, this industry may face significant opportunities. Another significant factor is US tariff policies, which will force importers and exporters to find the best and lowest-cost export or production locations, thereby increasing global cargo supply. Goods that previously traveled directly from Shanghai to the US may now have to go through a third country before reaching the US. This has increased global trade and transportation volumes. Taking these factors into account, I believe the overall market outlook will remain relatively strong for a considerable period of time. However, during this period, there may be some cyclical downturns. However, even if a cyclical downturn occurs, it will not last long, as a market downturn will likely cause nearly 20 % of small vessels to exit the market. After these shipping capacities exit the market, if the market improves and demand recovers, the supply shortages that occurred in the past will continue to occur. This is our view on the future market.

Q8(Zhou Yijing , Ruiyuan Fund): An analyst just asked about the first year of AI application, and Mr. Yang also shared some insights on customer experience. I understand that complex logistics networks involve a lot of data, such as customer data and route data. I believe this data can be used to optimize operations, such as allocating empty containers and optimizing customer structure. We also see that the express delivery industry also has a complex network, and some companies are optimizing their logistics networks through digitalization and AI, with some success. Therefore, I believe there is room for improvement. I would like to ask what the company's thinking is in this regard.

A (Chairman): You're right. Digitalization has been a practice for the company for many years, but there are still some shortcomings in data application. The accuracy of certain data, coupled with analysis of route planning, cargo flow, customer structure and contribution, and analysis of customer demand trends, all require this data and support. Of course, AI plays a significant role in improving and optimizing internal processes and efficiency, as well as vertical and horizontal boundaries. The company will gradually advance this initiative, and it doesn't require significant investment. The key lies in the attention and personal involvement of top leaders.

Q9(Liu Xinzheng, Zheshang Fund): I would like to ask about the proportion of long-term contracts from the first half of the year to now? Management also mentioned earlier that they are optimistic about the subsequent industry prosperity. Will there be any changes in our strategy for long-term contract signing? Thank you

A (CEO Xue): The proportion of long-term contracts has fluctuated somewhat over the past few years, with the duration of these contracts shortening. This is primarily due to significant freight rate fluctuations. Customers are also less willing to sign long-term contracts. Different clients have adopted different strategies. Long-term contracts lasting more than a quarter but less than an annual contract may account for 30 %, while the proportion of annual agreements has decreased slightly. Long-term contract prices remain relatively high recently, and overall are still significantly higher than in the first half of last year.

Q10(CICC Liu Gangxian): I have another question about costs. Our ships have grown from 700TEU to a maximum of 2,700TEU. Have you calculated the cost per container for a fully loaded 2,700TEU ship? Also, do we have a goal of reducing costs due to improved efficiency in the next few years? Thank you.

A (Chairman): Company's vessels range from 700TEU to 2,700TEU. From a cost perspective, the per-unit cost of smaller vessels is undoubtedly higher than that of larger ones. However, from an operational perspective, it's difficult to say whether the per-unit cost of smaller vessels is higher or lower for larger ones, as there are too many variables. This depends on the number of vessels on the route and the operational efficiency of the route. The technology involved is very high, so efficiency is still the most important factor. From this perspective, meeting customer needs and providing high-frequency, high-density services is our goal. Meeting customer needs while reducing our costs is our goal.

Q 11 (Frank Yip, Daiwa): Can you analyze the distribution of small ships, how many are in the Asian region and how many are in Europe?

A (Chairman): You may need to find some research institutions, such as Alphaliner, they may have data in this regard.

Q 12(Liu Xinzheng, Zheshang Fund): I would like to ask, what is the distribution of cargo volume?

A (Secretary Xue): The breakdown of routes is quite complex. However, we can share that in the first half of the year, China's exports grew by 9%, while Japan's imports grew by 17 %. Export growth in Southeast Asia and other regions exceeded these averages. Indonesia and Philippines experienced the fastest growth in imports and exports, as did newly established countries like Bangladesh, Myanmar, and India, which are also expected to experience rapid growth.