1. Overview

1.1 Company Profile

Yang Ming Marine Transport Corp.

Yang Ming was established on December 28, 1972. Its headquarters in located in Keelung City. We focus on container shipping business with a worldwide service network and have set up 249 subsidiaries in 99 countries and we have regional centers in USA, Panama, Germany, Greece, and Dubai. In line with our core value “Teamwork, Innovation, Integrity and Pragmatism,” we dedicate ourselves to providing global and elaborate shipping services, with "Punctual, Speedy, Reliable and Economical" as guideline for strengthening operational performance, strategy, and quality service. Devoted to improving our efficiency by integrating operational resource, enhancing cooperation with other carriers, and sustaining a healthy expansion, Yang Ming has become the eighth largest shipping company in the world.

To have more international competitive ability and upgrade service quality, Yang Ming has won ISO management and receive certifications:

- ISO9001 (Quality Management System)
- ISO14001 (Environmental Management System)
- ISO27001 (Information Security Management System)
- ISO45001 (Occupational Safety and Health Management System), TOSHMS (Taiwan Occupational Safety and Health Management System)
- Vessel ISM Certificate
- All YM fleet meet International Ship & Port Facility Security Code (ISPS CODE) and all self-owned vessels have obtained international ship security certificate (ISSC)
- C-TPAT (Customs-Trade Partnership Against Terrorism)
- AEO (Authorized Economic Operator)

At the end of December 2019

- Actual Capital received: 2,601,335,728 shares
- Operating Revenue: NT$ 141,181,262,000
- Operating Fleet: 101 vessels
- Totaling 670 thousand TEUs/7.72 million DWT
1.2 Business Plan

A close-knit transportation network expands the synergy of alliance cooperation

Yang Ming has established a close-knit transportation network across the world through incessant service expansion and formation of international strategic alliances with other carriers to integrate resources and achieve the synergy of product differentiation strategy and best ship module, of which the regular sailings had reached 108 per week by the end of December 2019. The shortening of transit time along the routes and prompt response to the demand of customers have won Yang Ming the credit of being a tip-top service provider with great popularity among customers.

- Asia/ U.S East Coast: 4 sailings per week
- Asia/ U.S. West Coast: 11 sailings per week
- Asia/ Europe: 6 sailings per week
- Asia/ Mediterranean and Black Sea: 3 sailings per week
- Asia/ Australia: 3 sailings per week
- Intra-Europe/Mediterranean: 15 sailings per week
- Far East/ Red Sea: 1 sailing per week
- Far East/ Middle East/India Sub-Continent: 8 sailings per week
- U.S. East Coast / Europe: 7 sailings per week
- Intra-Asia: 47 sailings per week
- Asia/ South America: 3 sailings per week
1.3 Ownership Structure and Financial Performance

1.3.1 Ownership Structure

The major shareholders of Yang Ming are domestic/foreign legal persons and natural persons. According to statistics of April 27, 2019, the shareholding ratios of government organizations, domestic natural persons, and domestic investments were 47.64%, 35.02% and 7.95% respectively.

1.3.2 Economic Value Distribution

In 2019, the company issued the 18th domestic guaranteed corporate bond for a total of NT $ 5 billion and listed on the counter on November 28. The main purpose is to repay bank loans, relieve the company's financial pressure, reduce its dependence on financial institutions, and then improve the financial structure and solvency of financial institutions.

The consolidated operating revenue of 2019 was about NT$ 149.2 billion. It grew 5.18% compared with the revenue in 2018. Net Income (Loss) Attributable to Shareholders of the parent of 2019 was about NT$ (4.3) billion and Earnings Per Share, before Retroactive Adjustment is NT$ (1.66). Operating volume of 2019 was 5.43 million TEU and it grew 3.8% compared with the volume in 2018. The 3 year’s concise consolidated income statement is shown below. The identified consolidated entities of financial statement are contained in the scope.

Condensed Individual Statement of Comprehensive Income - IFRSs

<table>
<thead>
<tr>
<th>Item/Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>131,077,812</td>
<td>141,832,929</td>
<td>149,181,262</td>
</tr>
<tr>
<td>Operating Cost</td>
<td>124,582,587</td>
<td>141,790,706</td>
<td>143,106,496</td>
</tr>
<tr>
<td>Operating Profit (Loss)</td>
<td>6,495,225</td>
<td>42,223</td>
<td>6,074,766</td>
</tr>
<tr>
<td>Income (Loss) Before Income Tax</td>
<td>634,790</td>
<td>(7,080,208)</td>
<td>(3,587,815)</td>
</tr>
<tr>
<td>Tax Expense (Gain)</td>
<td>142,924</td>
<td>773,852</td>
<td>(410,081)</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>491,866</td>
<td>(6,306,356)</td>
<td>(3,997,896)</td>
</tr>
<tr>
<td>Net Income (Loss) Attributable to Shareholders of the parent</td>
<td>320,849</td>
<td>(6,590,955)</td>
<td>(4,309,957)</td>
</tr>
<tr>
<td>Net Income (Loss) Attributable to Noncontrolling Interests</td>
<td>171,017</td>
<td>284,599</td>
<td>312,061</td>
</tr>
<tr>
<td>Earnings Per Share Before Retroactive Adjustment</td>
<td>0.17</td>
<td>(2.53)</td>
<td>(1.66)</td>
</tr>
</tbody>
</table>

2017–2019 Yang Ming’s employee salary and welfare amount as follow:

<table>
<thead>
<tr>
<th>Item/Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee salary and welfare amount</td>
<td>2,249,613</td>
<td>2,203,199*</td>
<td>2,247,272</td>
</tr>
</tbody>
</table>

*The amount is different with lase year's version due to adjustment by CPA

Yang Ming complies with the law in all countries and pays taxes honestly, and discloses all details in financial report. Please find our financial report by link: https://www.yangming.com/investor_relations/Shareholder_Services/FinancialReportInfo.aspx

Note: The latest closing date was April 27, 2019, but the company converted C.B. into common stocks at maturity on June 27, 2019. So only the shareholding ratio of government 47.64% is a definite value, others are all estimates.
1.4 Future Operation Plan

Looking into the future, the scheme of new-built fleets have been accomplished including the addition of fourteen 11,000 TEU vessels with flexible deployment and ten 2,800 TEU feeder type vessels deployed in near-sea shipping services. More are expected to be delivered from 2020 to 2022. The new-built energy-saving fleets are capable of reducing pollution emissions and improving efficiency with further cost savings as well. Furthermore, long-term-chartered vessels with higher charter rates have been redelivered to owners at the expiration of contracts (redelivery of seven chartered vessels in 2018 and 2019 respectively and four chartered vessels returned in 2020). The gradual fleet replacement continues to strengthen the competitiveness and diminish the operational cost due to the significant improvement on business and cost expenses.

THE Alliance Yang Ming joined is committed to extend the cooperation till 2023 providing the delicate shipping services by the synergy achievement of product differentiation strategy and best ship module contributing from the rationalization of routes for shortening of transit time between main calling ports and fleet optimization amid THE Alliance members.

In the new service layout of 2020, THE Alliance members continue to deploy the ultra-large containerships to realize economies of scale in ship operations and enhance the efficiency of bunker saving. Regarding the service network design, optimization of service routes and ports, adjustment of sailing speed in line with the expansion of new member and capacity lead to further decreasing service unit cost and maximizing the advantages.

To cope with the hit of increasing bunker consumption cost resulting from the new effective IMO 2020 regulation and stabilize the business operation, the initiative contingency plans were carried out in 2018 and 2019 including tank cleaning, preparation of the fleet desulfurization equipment installation, purchasing plan of low-sulphur fuel and considering the diversion of risks to proceed the installation of scrubber gradually for partial container vessels for the continuous use of 3.5% high-sulphur fuel oil (HSFO) including some of new-built vessels to install scrubber during constructive phase to comply with IMO 2020 regulations aimed at in the reducing the impact of operation and cost expense through the bunker consumption price saving between low-sulphur fuel and HSFO. Once the fleet with scrubber retrofit has been completed and deployed to the service, the estimated ratio of scrubber retrofitted fleets is 27% and the rest shall use the low-sulphur fuel. In addition, keep monitoring the trend of international fuel price and new regulation published to prepare the countermeasures timely, and collect the bunker surcharges from 2019Q4 for the use of more expensive low-sulphur fuel to bear the impact of additional cost expense with shippers jointly when the new IMO 2020 sulphur cap enters into force.

In view of the latest market dynamics, we continue to adjust the operational strategy such as optimizing the structure of operating fleets by deploying new-built eco-friendly vessels to comply with the forthcoming IMO 2020 regulation and reducing the operational cost to continuously advance the comprehensive competitiveness.
1.5 Customer Service

Container shipping has been recognized as an industry with complex processes, high paper-based documentation and long connectivity between various parties. While the new technologies such as Big Data, Artificial Intelligence (AI), IoT and Blockchain are applied in other fields, this industry is standstill on its own way by running a time consuming operation mode and heavy manual works, resulting in the global supply chain inefficiency and inefficacy.

Yang Ming, as a main player of this industry shall focus on both owners’ equity and industrial digitalization. As such, Yang Ming decided to join DCSA (Digital Container Shipping Association) in May 2019 to co-work with global shipping companies aimed at industrial standardization and digitalization. Yang Ming believes this will raise operational efficiency and benefit the global society. For more information about DCSA, please refer to https://dcsa.org/

Performance of 2019 and Development in 2021-2023:

<table>
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Improve global customer service quality</td>
<td>Our service is targeted on customers. The use of digital and electrical technology can improve the service quality, and thereby enhance customers’ trust, reliance and satisfaction.</td>
<td>The new version of Web booking is complete. It contains complete information and is easier to choose transport routing.</td>
<td>Provide new function “Shipment Management” for customer querying related real-time shipment information on both web and mobile APP platform.</td>
<td>It is expected to provide online automation services by 2023, including online auto booking confirmation.</td>
</tr>
<tr>
<td>Work in industrial standardization and digitalization</td>
<td>Join DCSA (Digital Container Shipping Association) and co-work with global shipping companies aimed at industrial standardization and digitalization.</td>
<td>Join DCSA program, DCSA has published Industry Blueprint version 1.0 (IBP 1.0) in September 2019.</td>
<td>DCSA has published container shipping track &amp; trace standards version 1.0 in January 2020 which includes Information Model 1.0 and TnT Interface Standard 1.0. YM will study and prepare the implementation plan for adopting this standard. In addition, in year 2020 DCSA will begin the projects of IoT standards for container shipping and Cyber security onboard ships. Yang Ming will continue to attend those 2 projects for defining standards.</td>
<td>Drive technology standards and frameworks that will enable carriers to bring innovative solutions to DATA definitions and data exchange methods and provide easy-to-use service.</td>
</tr>
</tbody>
</table>
1.5.1 Improve global customer service quality

Yang Ming is always aiming to pursuing customer satisfaction. Yang Ming learns from the feedback of customer satisfaction survey over the years and understand that customers focus on e-commerce much more than before. Base on customers’ demand, Yang Ming has formulated a customer-focus digital transformation strategy and strengthened the “usefulness of Web/APP” and “data accuracy of web/APP” continuously.

**Customer-Focus**

- **Strengthen Security**
  - Protect trade secret and customer privacy

- **ISO27001**
  - Yang Ming has been accredited ISO/IEC 27001:2013 since 2014, we have set-up our information security policy and goal. For details please see “1.5.2 information security”.

- **Cyber security**
  - Please refer to guideline of IMO Cyber Security and BIMCO guidance, for details please see “1.5.3 cyber security”

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**Overview**

- **dcsa**
  - Be actively involved in DCSA
  - Drive standards and frameworks
  - Speed industrial transformation

- **Upgrae digital service**
  - Present the usefulness
  - Customer can get the shipment and schedule related information via website easily and track the status via YM APP timely.

- **Revision of Web Booking**
  - Friendly booking interface, more complete information, to improve the efficiency on booking confirmation.

- **E-DO(Delivery order) Service**
  - The first shipping company in Taiwan to provide online printing D/O services.
  - Make import pick-up by customers sooner and easier.
  - Simplify import work and manpower.
  - Use less paper and toner , for better environment.

- **Yang Ming App**
  - It allows our global customers to get the latest shipment status and schedule information anytime, anywhere. The APP service includes cargo tracking, point to point search, vessel tracking, telex release inquiry, global agency and press release.

- **Line BOT**
  - Yang Ming is Taiwan’s first to provide Chat BOT service and 24-hour nonstop service to replace clerical operation. In 2019, Line BOT provided about max 500 times of service/per day.
1.5.2 Information security

The aim of obtaining the stringent certification of ISO 27001:2013 is to meet the requirements of related regulations and to greatly strengthen our customers’ trust on Yang Ming and Yang Ming's services. With that added trust in our IT excellence, Yang Ming can continue to expand as a carrier of excellence for decades to come.

Like many other companies, Yang Ming faces an increasing cyber threat. Third parties are seeking to compromise the information of global companies. To address this reality and ensure that Yang Ming continues to earn customers’ trust by maintaining a robust information security program. Led by the Chief Information Officer (CIO), Yang Ming’s cyber security is a company-wide governance structure that ensures the effective management of potential risks and incorporates security controls into systems and service to safeguard information. Yang Ming deploys monitoring and response capabilities to swiftly address the situation in the event of an attack.

Every employee has a critical role to play in protecting Yang Ming's most sensitive information. To increase Yang Ming employees’ awareness of cyber security threats, Yang Ming requires all of them to receive annual cyber security training and learn how to report incidents and how to reduce risks. All employees also regularly receive fishing awareness training, which tests employees’ knowledge of how to identify unsafe and malicious email.

Yang Ming is committed to protecting the trust of customers, employees, and business partners. We continuously look for better practices, more effective controls and provide stronger security to protect Yang Ming information service.

Our Information Security Policy

- Information Science and Technology- another step toward enhancing our risk management and guaranteeing our group competitiveness.

Our goal of information safety

- Guarantee the accuracy and integrity of our entire business’ relevant information, and improve the administrative efficiency and quality of such information.
- Ensure that all of Yang Ming’s relevant business information equipment is fully user-friendly, and provide smooth access to business operations information.
- Protect the confidentiality of Yang Ming’s relevant business information, and maintain secure customer privacy and information discretion.
- Conform with any related national laws and safety standards, and reach our goal of continued steady business operations.

1.5.3 Cyber security on board ships

In recent years following the improvement of smart ship technology, more and more shipboard equipment has networked with satellite internet, such as control and monitoring system, communication and navigation system, shipboard information management system. As the IT (Information Technology), OT (Operation technology) and CT (Communication technology) have been integrated on board ships, a marine company can get high performance of fleet management, because shipboard information can be easily exchanged with each other. Meanwhile, as shipboard internet becomes more popular, cyber treats and risks would rise. It is important to control shipboard cyber security in current situation. Yang Ming has provided the guidance of shipboard cyber security in full compliance with International rules. It also has created 2019 KPI with future plan as prescribed below. To ensure data of confidentiality, integrity and availability, in the year of 2020, we are planning to integrate the different shipboard IT assets aimed at controlling operation risks entirely. We wish to provide much better safety and efficiency service, to get the trust of information process from clients, and to execute cyber security management for maintaining policy of sustainable development.

<table>
<thead>
<tr>
<th>Policy of shipboard cyber security</th>
<th>Management method</th>
<th>2019 performance</th>
<th>Future plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>To set up the procedure of fleet cyber security management, in order to ensure, execute, maintain and improve the management system of shipboard cyber security, always required for navigation safety.</td>
<td>Refer to guideline of IMO Cyber Security and BIMCO guidance.</td>
<td>Collect rules and do research. Seek assistance from outsourcer (ex. DNV GL) set up Security Operation Center (SOC) with CHT and integrate shipboard IT assets and network systems.</td>
<td>Complete and publish the procedure of shipboard cyber security management, construct SOC system for each vessel and keep PDCA (plan-do-check-audit) required in maintaining to managing and improving shipboard cyber security.</td>
</tr>
</tbody>
</table>
1.6 Supply Chain and Supplier Management

We cooperate with a lot of vendors, our company executes ISO Management System which can cover supply chain and supplier management to make sure our service quality, safety for personnel, safety for ships, safety for shipment. Also our management cover the requirement of quality, environment protection, information security, safety and healthy, supply chain security and port regulations in each country. We are devoted to sustainable development. We did not have any case against the regulations/laws in 2019.

1.6.1 Supplier management

We have contract with our service customers and vendors to make sure above security issues are well-monitored. Besides, we list qualified supplier, make annual evaluations to improve or terminate contract. All records will be reference for renewing contract or not. Our company has "Code of Ethical Management " , "Guidelines on Unethical Conduct Prevention" and a "Whistleblowing System" to guide Yang Ming directors, supervisors, managers, employees and practical controllers not to accept any improper benefits, including rebates, commissions, palm greasing payments, or offer or accept improper benefits in other ways.

Code of Ethical Management, Guidelines on Unethical Conduct Prevention

Whistleblowing System
https://www.yangming.com/investor_relations/Corporate_Governance/WhistleblowingSystem.aspx
1.6.2 Corporate with our supply chain

Yang Ming Delivers Taiwan Guavas to US

Taiwan guava is well received for its crispy taste and beautiful flavor. Since guava requires tropical environment to grow, Taiwan guava is particularly anticipated by North Americans. However, it was difficult for Taiwan guava to enter the U.S. market, because Taiwan is an endemic area of oriental fruit fly, melon fruit fly and fruit pumpkin fly. Now, as all the quarantine standards and requirements are met, fresh Taiwan guava can be delivered to the U.S. and the local consumers can enjoy this high-quality tropical fruit from Taiwan.

On the last day of 2019, YM Mandate, a container vessel operated by Yang Ming, carried Taiwan's famous guava fruit from Kaohsiung to the other coast of the Pacific, the United States. The vessel arrived at Los Angeles on January 14th. It’s the very first container of Taiwan guava shipped to the U.S. and passed inspection since the import ban was lifted by U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS) in October 2019.

Taiwan guava is well received for its crispy taste and beautiful flavor. Since guava requires tropical environment to grow, Taiwan guava is particularly anticipated by North Americans. However, it was difficult for Taiwan guava to enter the U.S. market, because Taiwan is an endemic area of oriental fruit fly, melon fruit fly and fruit pumpkin fly. Now, as all the quarantine standards and requirements are met, fresh Taiwan guava can be delivered to the U.S. and the local consumers can enjoy this high-quality tropical fruit from Taiwan.

To ensure Taiwan guava can enter the U.S. market, Yang Ming has strengthened communication with its client. Its salesforce worked together with ship crews to closely monitor and properly control the temperature. Insecticidal cold treatment was applied to these fresh guavas and the temperature in the center of pulp was maintained at below 1℃ in Yang Ming’s reefer container for 17 consecutive days during the transportation. After the arrival, Yang Ming appointed a team to assist the consignee and make sure the inspection procedure was completed smoothly and the batch of fresh Taiwan guava was successfully delivered to its U.S. importer. Assistant Vice President Tan Wang of Yang Ming’s Commercial Reefer Department said “Cold treatment inspection to ensure extremely high standards are fulfilled throughout the transportation. The client - Top Quality Produce, Inc., is very satisfied with the success and impressed with Yang Ming team’s efficiency and capability. “Yang Ming is always committed to upgrading its refrigerated transportation services. Together with cold treatment (CT), the company also has adopted the new Active CA (Controlled Atmosphere) device for reefer containers to overcome technical difficulties. This successful experience is a result of team efforts and marks an important milestone in Yang Ming’s refrigerated delivery service. The company will have greater capability to ship perishable commodities in the future. Considering the growing demand of the global cold chain market, the company seizes every opportunity to meet customers’ needs. Yang Ming will continue to optimize its professional reefer services and deliver fresh products around the world.

YM Unity Is Sailing at the Entrance to Agua Clara New Lock

To celebrate Panama’s new lock being used for 1,000 days and 5,763 mega ships passing, ACP (Panama Canal Authority) posted the photo of YM Unity on their Instagram to mark the new milestone. The aerial photo shows that there has not only a close relationship between ACP and Yang Ming but it also helps to create more visibility for Yang Ming in the market at the same time.

The photo shows that YM Unity is sailing at the entrance to Agua Clara New Lock.
Yang Ming, as a shipping company, has become a qualified partner of Customs and is able to take care of security in the supply chain of shipping service.

1. Increase operational security with regard to vessels, terminals, container yards and related facilities.
2. Consistently communicate with our business partners for co-operation on the security issues and make risk evaluation annually.
3. Develop and maintain a complete and detailed security plan and act accordingly to reduce the risk of crew, cargo, as well as vessels.

With YML’s participation as a C-TPAT certified carrier, our customers will enjoy benefits of faster cargo flow, reduced inspection time and safer logistics process, all in a secured environment.

More C-TPAT details, please see our website:
https://www.yangming.com/About_Us/Security_Regulation/C_TPAT.aspx

We are also awarded the certification of Authorized Economic Operator (AEO):

Since 2006, the China (Shenzhen) International Logistics and Supply Chain Fair (CILF) has become an important annual event in logistics field. The CILF2019 was held during October 10-12 in Shenzhen, receiving about 1,800 exhibitors & 130,000 visits from all over the world. CILF2019 had 14 exhibition areas with different themes including Logistic, Supply chain, Port & Shipping, Air cargo, Express service, Logistics equipment, Intelligent logistics and E-commerce. All exhibitors are taking this chance to promote business and keep up with the trending topics of logistics in CILF. Yang Ming Marine Transport Corp. joined CILF2019 and we changed the booth design this year to provide a new ambience for all visitors. Visitors also complimented the new design because it gave them a freshness feeling. During the exhibition period, Yang Ming Shenzhen office assigned business and operating staff every day to provide visitors with advisory service and promote business.

CILF2019 also held some forums on different topics during the exhibition period and we could find the trend of logistics or the movement of government via these forums. For example, government of Shenzhen is paying more and more attention on environment issues; they are keeping work on new energy development and electric car popularization in Shenzhen. Ports in Shenzhen are also vigorously putting forward the port shore power to meet government's environment project. Additionally, Shenzhen is committed to making itself an important pivot city in “The Belt & Road” project. They begin to make digital transformation on ports and propose to improve operating efficiency by using big data and block chain. The three days exhibition of CILF was closed on October 12, 2019, Yang Ming fully utilized this resource to communicate with current customers and promote our professional service and high quality shipping line allocation to potential customers. In the hope that we can extend the business and improve our competitiveness.