Driving Efficiency for a Sustainable Tomorrow

9 June 2014

U-Ming Marine Transport Corporation has convened its 2014 Annual Shareholders' Meeting (AGM) at the Taipei Hero House on June 9, 2014; hosted by its Chairman, Mr Douglas Hsu. During the AGM, Mr Hsu has presented the Company's 2013 Business Report and motions such as Financial Statements and Dividend Distribution were also passed. For 2013 operating performance, the Company's consolidated revenue was amounted to NT$7.4 billion; net profit was NT$1.6 billion and the earning per share was NT$1.83. A cash dividend of NT$2 per share was declared and approved. It was reported that U-Ming's performance is one of the best among its bulk shipping peers in Taiwan. The Company has always been maintaining a sound financial structure – the total distributable retained earnings is NT$12.7billion (equivalent to NT$14.78 per share) are still kept in the account after the cash dividend payment this year which is available to be distributed to shareholders in future. In addition, a cash position amounting to NT$13.7 billion is readily available for the continued expansion of the Company's fleet. U-Ming will continue to create shareholders' value to reward its shareholders.

After experiencing the slump in the bulk shipping market in 2012, signs of the grim market bottoming out were seen in the beginning of 2013. According to statistics from Clarkson, the global seaborne dry bulk freight volume in 2014 is about 4.5 billion tons with an annual growth rate of 4%; and the iron ore trade volume is about 1.3 billion tons at a growth rate of 10%; indicating that the demand for dry bulk is still very strong. Besides the trade demands for large quantities of raw materials, the ongoing infrastructure construction and development in the emerging countries will continue to drive the dry cargo and shipping demand; as urbanization is still viewed as the main driver for steel requirement. It is believed that steel consumption per capita will peak when a country's urbanization reaches 75 percent. In 2013, China's urbanization rate was only 53.6 percent; but after excluding those who are regarded as urban population but are unable to enjoy the basic public services due to their "non-residential" official status, China's net urbanization rate is in fact less than 40 percent. China's steel consumption per capita in 2012 was 508 kg – comparing to South Korea's 1,159 kg; Japan's peak at 880 kg; United States' 690 kg and Germany's 625 kg; thus China still has much room for further growth.

Although the steel industry in China has been affected by the economic restructuring and environmental factors and is being forced to undergo structural adjustments, the reform of the household registration system on the other hand has boosted the demand for urbanization construction which is sufficient to support the growth of steel. In addition, the increase in steel exports will also drive the demand growth for iron ore. The National Development and Reform Commission in China has announced that between January and April 2014, there was a 0.2% growth for pig iron production over the same period last year; and the iron ore imports have increased significantly by 20.7% - this is due to the declining iron ore prices resulted from the production expansion by the international mining producers. China's domestic iron ore production costs are much higher and quality is more inferior as compared to the foreign producers. With the decline of international iron ore prices, China will increase its imports to replace their domestic supply thus benefiting the overall seaborne trade and freight rates.

On the supply side, according to statistics from Clarkson, the total bulk carriers' carrying capacity in 2013 was 723.19 million DWT - an annual growth rate of 6% which was the lowest since 2010. The supply growth rate for 2014 is expected to decline to about 5%. In addition, vessels which are more than 15 years old and are subject to scrapping accounts for 24% of the total fleet; this is higher than the 19% of present fleet being ordered and built. Older vessels lack competitiveness due to higher maintenance costs and fuel consumption thus they will be gradually phased-out and replaced by newer vessels. With the demand and supply being more balanced, the pressure of over-supply situation is expected to ease.

In 2010, under the pressure of high fuel prices, U-Ming has pioneered to adopt a product differentiation strategy with 'fuel-efficient and environmental-friendly' as specification requirements for its new generation of vessels. The four new ECO-friendly Capsize vessels which were delivered in March-April 2014 period are the results of such initiatives. These vessels are equipped with the latest G Type-ME engine and various energy-saving machinery and equipment. In total, they are able to reduce daily fuel consumption by as much as 20% and to increase its cargo carrying capacity by 6% as compared to the conventional 180,000 DWT Capesize vessels. These added features have greatly enhanced U-Ming's operational efficiency and competitiveness in terms of market freight rates.

Since 2010, U-Ming has been seizing the opportunity to expand its fleet by ordering new vessels at attractive low prices and continuing with its fleet expansion program through replacement of old vessels with new vessels. Presently, there are 12 new ECO vessels being ordered (including 4 Capesize vessels ex Shanghai Waigaoqiao Shipyard, 4 Post-Panamax and 4 Ultramax ex Japan's Oshima Shipyard) and they are expected to be delivered between 2014 and 2017. During then, the average age of U-Ming's fleet will be much younger and efficient thus further increases the Company's market competitiveness.

U-Ming has set out its vision and aspirations to minimize the impact on marine ecosystem caused by vessels' operations; in particularly striving to reduce greenhouse gas emission and fuel consumption with devoted efforts for making a contribution to the environmental sustainability. Our environmental management systems are certified as per international ISO 14001 standard. And U-Ming has taken part in the "Sustainable Shipping Initiative (SSI)" to devote energies to the promotion of concept and technology of environmental protection. Through the forum, U-Ming is capable of cooperating with other industry players to jointly lay out the vision and to implement the marine sustainable operations.

U-Ming's core business is in bulk shipping sector; currently owns and operates Capesize, Panamax, Post Panamax, Handy-size, Ultramax, Supramax, Cement Carriers and Very Large Crude Carrier (VLCC), amounting to a total of 52 vessels (including vessels that are in operation, under construction, joint ventures and ship management services); with a total deadweight of 6.51 million tons. With subsidiaries in Hong Kong, Singapore and Xiamen, it is the largest public-listed bulk carrier company in Taiwan in terms of gross tonnage.