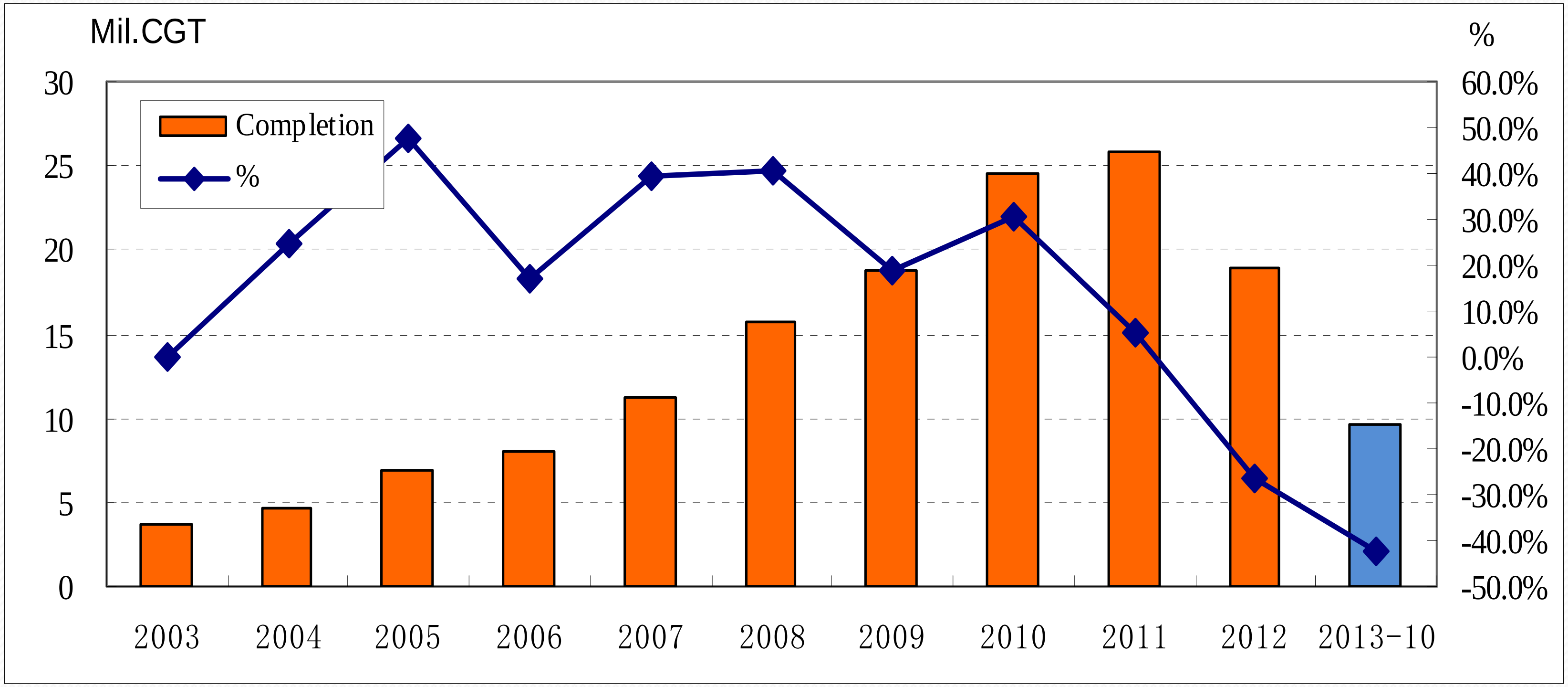
Development of China Shipbuilding Industry

CANSI

November-2013

Okinawa， Japan

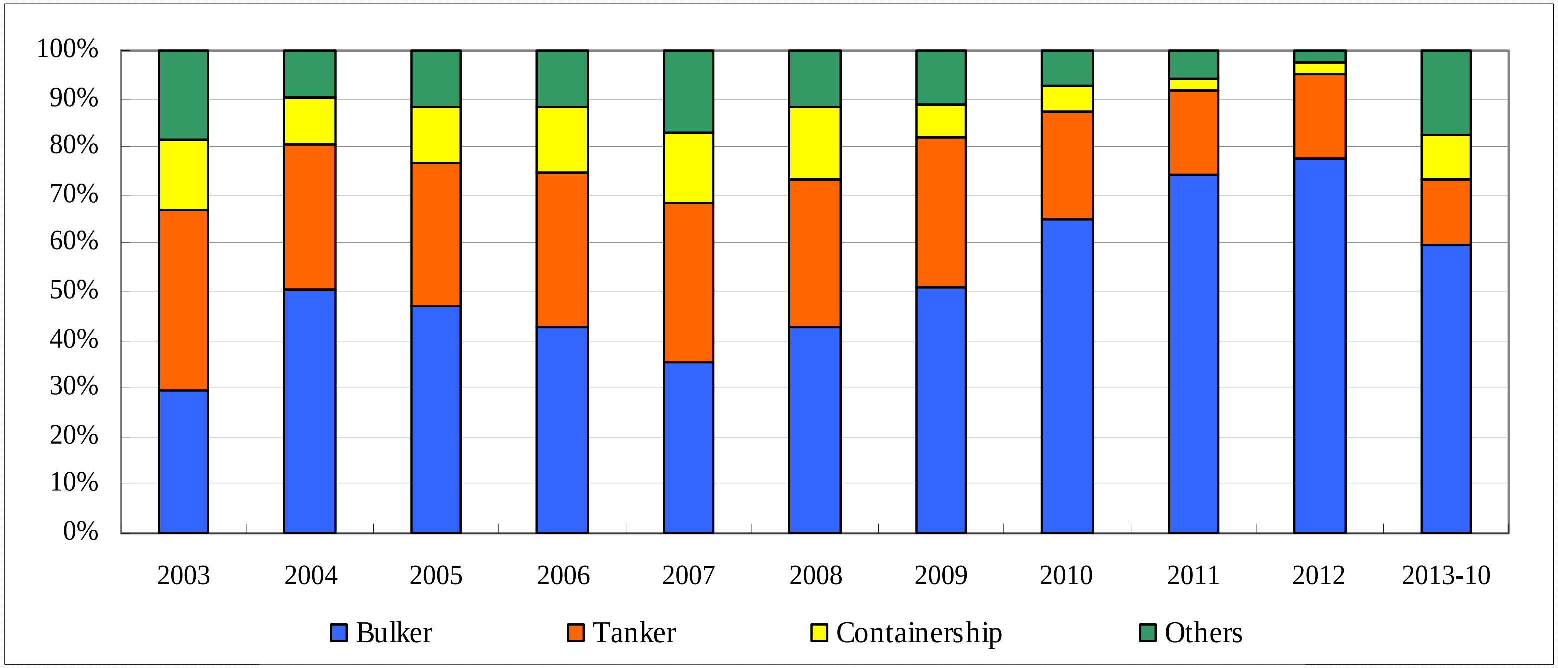
Completion



- From 2011, the volume and growth rate of Chinese shipbuilding completion kept decreasing.
- From Jan to Oct of 2013, the completion of Chinese shipbuilding reached 9.7m CGT, 42% decreased compared with the same period of 2012.

Data source: CANSI

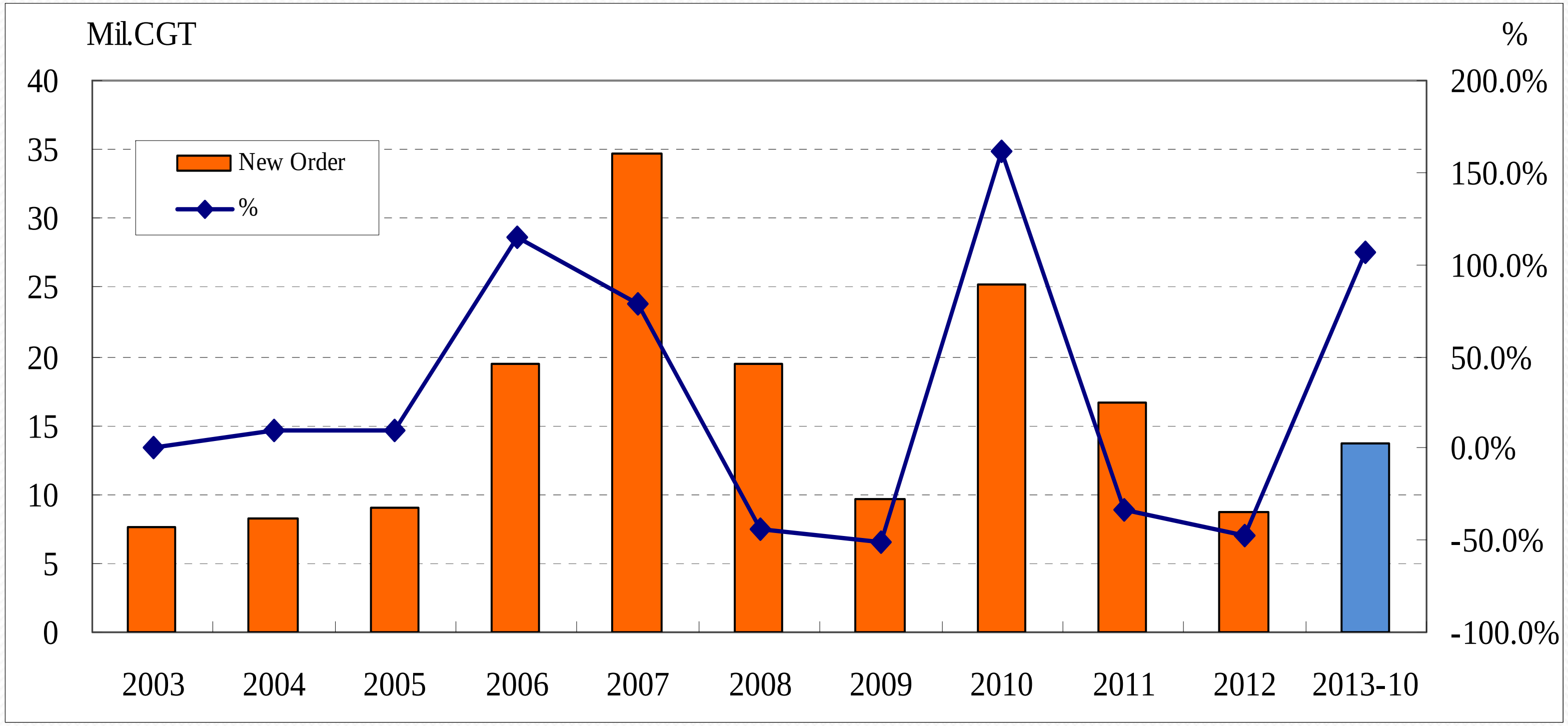
Completion by ship type



- From Jan to Oct 2013, about 59.8% of the Chinese shipbuilding industry delivery was bulk carrier.
- The completion of tanker and container ship occupied about 13.7% and 9.2% of national total

Data source: CANSI

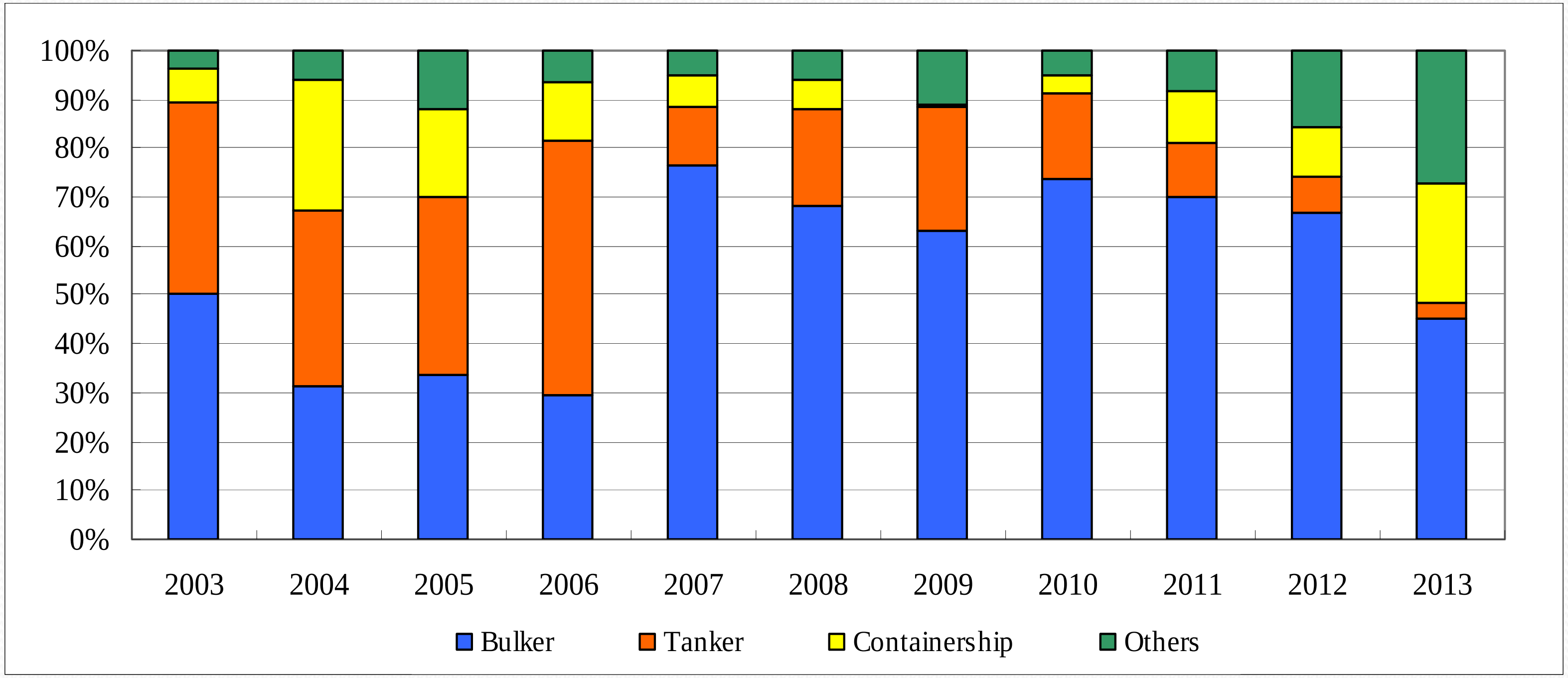
New order



- In 2013, the new contracting of Chinese shipbuilding industry increased notably.
- From Jan to Oct, the total new contracting was about 13.63m CGT, 107% more than the same time of last year.

Data source: CANSI

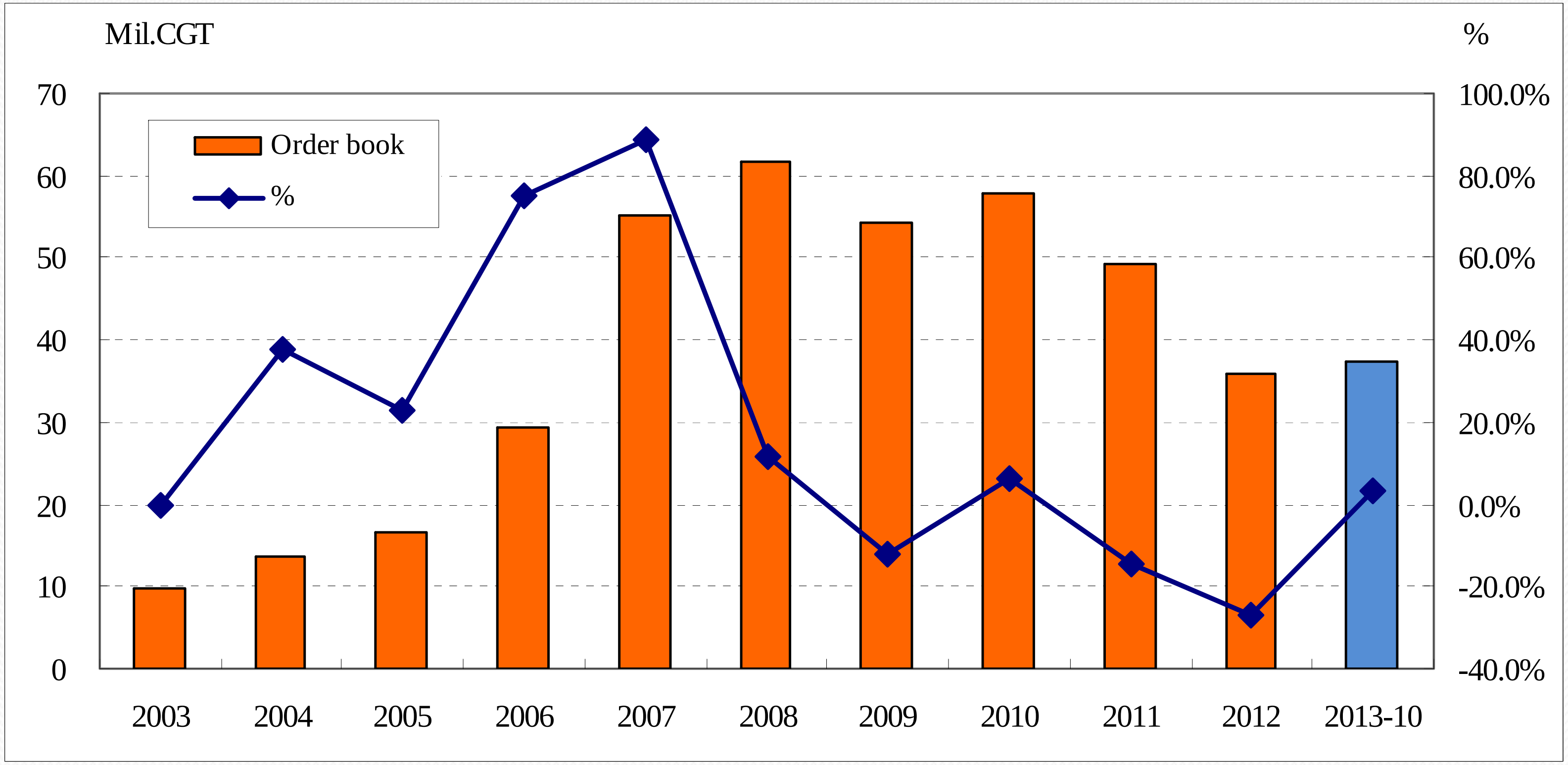
New order by ship type



- From Jan to Oct 2013, the new contacting of bulk carrier occupied about 45.1% of national total.
- Meanwhile, the container ship and tanker occupied about 24.3% and 3.3% of national total.

Data source: CANSI

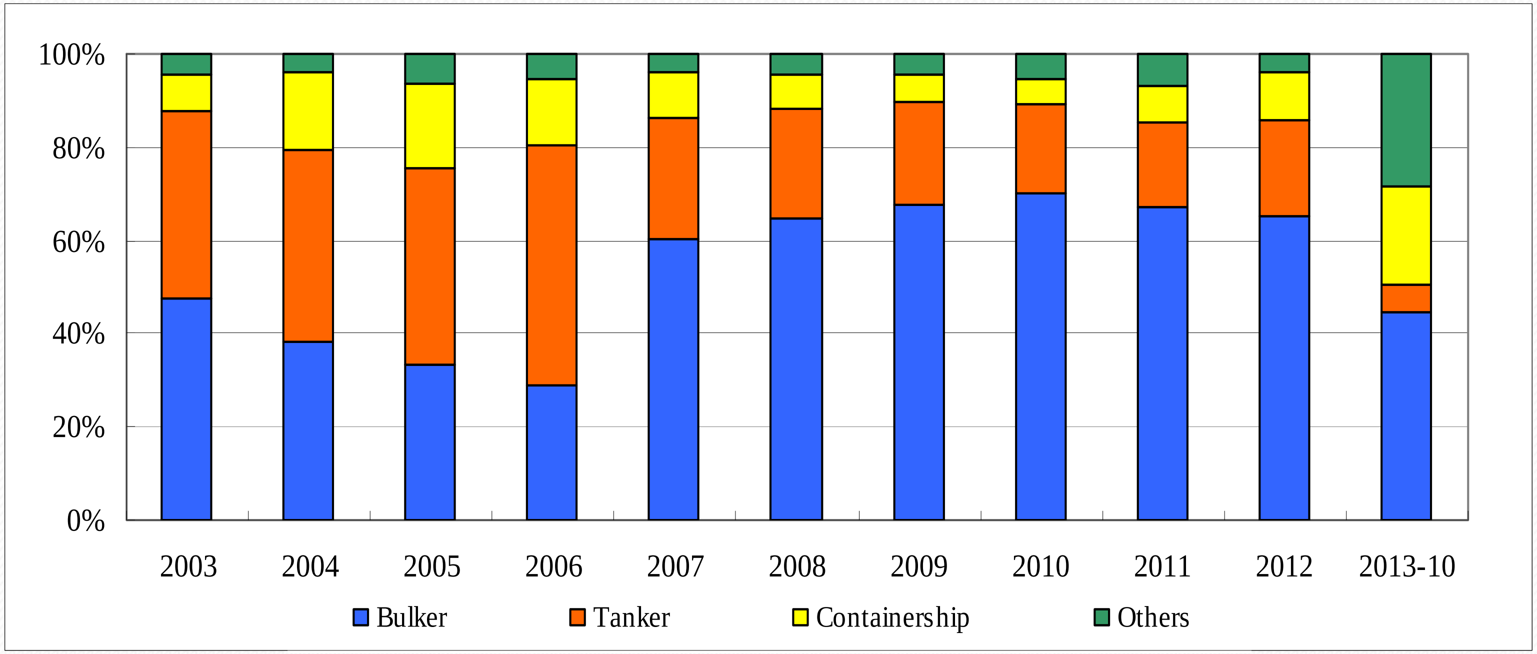
Order book



- By the end of Oct. 2013, the order book of Chinese shipbuilding industry was about 37.3m CGT, about 3.5% increased from the same time last year.

Data source: CANSI

Order book by ship type



- As to the orderbook by ship type, by the end of Oct 2013, bulk fleet accounts for about 44.4%, container ship and tanker account for 21% and 6% respectively.

Data source: CANSI

Shipyards (National total %)

S.B. Group	Delivery %	S.B. Group	Contracting %	S.B. Group	Orderbook %
CSSC	26.1%	CSSC	31.1%	CSSC	27.7%
CSIC	17.7%	Yangzijiang	9.9%	CSIC	10.2%
Rongsheng	5.6%	CSIC	9.1%	Yangzijiang	6.3%
New century	4.5%	New century	3.9%	Rongsheng	5.8%
Total	53.8%	Total	54.0%	Total	50.0%

Data source: Clarksons

Achievements

- From Jan. 2013 to Oct. 2013, the delivery of Chinese shipbuilding industry decreased noticeably; meanwhile, the new contracting kept increasing, and the orderbook at the end of Oct slightly larger than the same time of last year.
- Till Oct. 2013, the Chinese shipbuilding industry made achievements in contracting high-tech ships. For example, Hudong Zhonghua received new contracts of 174000 m^3 dual fuel electric propulsion LNG carriers.
- Moreover, shipyards increased the competitiveness in offshore engineering: till the end of Sep. 2013, contracted 40 drilling platforms with a total price exceeding 8.7 billion dollars, occupying 42% and 24% of world's total respectively.

Weaknesses

- Chinese shipbuilding industry is still being affected by the gloom of world's shipbuilding market.
- The problems of oversupply, excessive competition, exchange rate and low newbuilding price, etc. in world's shipbuilding market, brought heavy pressures to Chinese shipyards.
- It has not been basically changed that Chinese shipyards, especially the small-scaled shipyards failed in winning new contracting and financing.

Exchange rate

- Since the reform on the foreign exchange rate, of RMB the exchange rate between RMB and the U.S. dollars has been on a steady increase.
- At the end of Oct 2013, the RMB central parity against the U.S. Dollar is $ 6.0868, which increased 10.8% compared with the exchange rate (6.8279) in June 2010 before the reform.

Datasource: The people's bank of China

Shipbuilding Policy

- China has announced a "Plan for the Acceleration and Facilitation of Structural Adjustment of the Shipbuilding Industry (2013-2015)" in Aug 2013, to embark on a reform of its shipbuilding industry.
- The plan calls for concentrating resources on a number of selected shipyards through mergers and integrations, puts a total volume control on the shipbuilding capacity and freezes fresh investment.
- Meanwhile, the plan helps to enhance the development of core ship types and expands the development of value-added ships and offshore equipment.

Shipbuilding Financing

中国进出口银行 THE EXPORT-IMPORT BANK OF CHINA	国家开发银行 The State Development Bank of China	中国出口信用保险公司 China Export & Credit Insurance Corporation

中国银行 BANK OF CHINA	交通银行 BANK OF COMMUNICATIONS	ICBC 中国工商银行	中国建设银行 China Construction Bank

工银租赁 ICBC LEASING	交银金融租赁有限责任公司 Bank of Communications Financial Leasing CO., Ltd.	民生金融租赁 MINSHENG FINANCIAL LEASING CO.,LTD.

- Shrinking in shipbuilding market, low in newbuilding price, Chinese major banks holding a prudent attitude towards shipyards financing, difficulties in shipbuilding financing are the main problems of the industry's development.

Outlook

- Many shipyards are facing inadequate production, and lots of them have already started contracting and restructuring their shipbuilding capacities.
- Chinese government catch the opportunity, by using marketing to adjust industry construction and contract shipbuilding capacities.
- It is forecasted that the new contracting of Chinese shipbuilding industry would keep increasing, especially in bulk carrier and container ships.
- The contracting of high technical vessels such as LNG, LPG and offshore engineering would develop as well.

Thank you