

Singapore Company Update

Yangzijiang Shipbuilding

Bloomberg: YZJSGD SP | Reuters: YAZG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Aug 2022

BUY

Last Traded Price (8 Aug 2022): S\$0.935 (STI : 3,270.98)
Price Target 12-mth: S\$1.40 (50% upside) (Prev S\$1.38)

Analyst

Pei Hwa HO +65 6682 3714 peihwa@dbs.com

What's New

- 1H22 core profit grew 32% y-o-y; strong visibility for earnings growth backed by order backlog
- Shipbuilding margins could make new highs of >20%, from current 13%
- Improving ESG following investment spin off and good progress in clean vessel segment, which now accounts for c.30% of orderbook
- Reiterate BUY; TP adjusted slightly to S\$1.40 after earnings upgrade

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021A	2022F	2023F
Revenue	14,841	16,768	19,590	20,651
EBITDA	3,584	5,079	3,411	4,042
Pre-tax Profit	3,290	4,882	3,259	3,847
Net Profit	2,516	3,699	2,507	2,959
Net Pft (Pre Ex.)	2,516	3,699	2,507	2,959
Net Pft Gth (Pre-ex) (%)	(19.0)	47.0	(32.2)	18.0
EPS (S cts)	13.3	19.3	13.1	15.4
EPS Pre Ex. (S cts)	13.3	19.3	13.1	15.4
EPS Gth Pre Ex (%)	(17)	44	(32)	18
Diluted EPS (S cts)	13.3	19.3	13.1	15.4
Net DPS (S cts)	4.46	4.95	4.95	5.45
BV Per Share (S cts)	171	187	92.7	103
PE (X)	7.0	4.9	7.2	6.1
PE Pre Ex. (X)	7.0	4.9	7.2	6.1
P/Cash Flow (X)	nm	2.9	7.9	5.9
EV/EBITDA (X)	0.3	nm	3.0	2.0
Net Div Yield (%)	4.8	5.3	5.3	5.8
P/Book Value (X)	0.5	0.5	1.0	0.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	7.9	10.8	9.3	15.7
Earnings Rev (%)			11	3
Consensus EPS (S cts):			13.8	15.6
Other Broker Recs:		B: 7	S: 0	H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Stronger earnings ahead and still cheap

Investment Thesis:

Pure proxy to shipbuilding and shipping upcycles. The anticipated re-rating of Yangzijiang as a pure shipbuilding play post spin-off of Yangzijiang Financial Holdings (YZJFH) at end-Apr has yet to come through, outweighed by macro concerns. We believe Yangzijiang will gradually re-rate from the current ~1x PB and 8x FY22F PE towards our target of multiples of 1.5x PB and 12x PE as the Group delivers strong earnings growth, and the shipping market for dry bulks, tankers and LNG carriers stage a rebound from 2H22.

Shipping market recovery intact. As we enter the peak season for the shipping market in 3Q, demand and freight rates are expected to improve sequentially. Moving into 2023, while rates for containerships may moderate, the outlook for dry bulkers, tankers and LNG carriers remains robust despite the economic slowdown as supply remains tight. This will continue to drive newbuild demand for shipyards.

Historical high order backlog boosts earnings visibility through 2024. Yangzijiang's yards are full through 2024 with an orderbook of >US\$8bn. This is expected to propel earnings CAGR of 15% in the next 3-years, driven by both revenue growth and margin expansion as 80% of its orderbook is made up of containership orders which command higher value and margins.

Valuation:

Our TP of S\$ 1.40 is based on 1.5x PB, which implies 12x FY22F PE. The stock is undervalued, trading at 1x P/BV and 8x PE against 13% ROE, 4-5% dividend yield and 3-year core EPS CAGR of 15%.

Where we differ:

The market seems to have overlooked Yangzijiang's earnings growth potential and structural uptrend of shipbuilding demand.

Key Risks to Our View:

Revenue is denominated mainly in US dollars. Assuming the net exposure of ~50% is unhedged, every 1% depreciation in the USD could lead to a 1.5% decline in earnings. Every 1% rise in steel cost, which accounts for about 20% of cost of goods sold (COGS), could result in a 0.8% drop in earnings.

At A Glance

Issued Capital (m shrs)	3,951
Mkt. Cap (S\$m/US\$m)	3,694 / 2,679
Major Shareholders (%)	
Yangzi International	21.6
T Rowe Price Group Inc	7.1
Free Float (%)	71.3
3m Avg. Daily Val (US\$m)	14.7

GIC Industry : Industrials / Capital Goods



Watchlist the stock on Insights Direct to receive prompt updates



WHAT'S NEW

Sequentially stronger performance ahead

1H22 profit rose 32% y-o-y. Yangzijiang's shipbuilding related net profit rose 32% y-o-y to Rmb1.17bn in 1H22, on revenue growth of 70% y-o-y. This formed ~48% of our full year estimate.

There were 35 vessels delivered in 1H22, compared to 23 vessels in the same period last year, on track to make record deliveries of 70 vessels this year.

Shipbuilding gross margin improved sequentially to ~12.8% in 1H22, 2ppts higher than 10.8% in 2H21, though still slightly lower than 13.5% in 1H21, as group executed the remaining lower margin old projects, and impacted by high steel price and weaker USD (which offset by forex gains below the gross profit line) during the period.

Nevertheless, revenue and margins are expected to expand further, on execution of mostly **higher value and margin new orders** secured since end 2020 from 2H22 onwards especially into 2023 when Yangzijiang recognizes the **bulk of the profits closer to delivery** of these vessels. In addition, the recent favourable forex and steel cost also bode well for further margin expansion in 2H22. The bulk of these orders has **factored in high steel prices of over Rmb6000/t** and the company has hedged its **USD exposure at Rmb6.6-6.8.**

Management expressed confidence on earnings growth ahead with gross margins climbing steadily and probably reaching a new high in this cycle.

Shipbuilding margin to bottom out from 2022



Source: Company, DBS Bank

Earnings revision. We have revised up our FY22/23 profit forecasts by 11% / 3% on higher forex gains in 1H and better margins ahead.

Healthy YTD wins of US\$1.09bn, on track to meet its annual target of US\$2bn. As it is already filling up delivery slots for 2025, Yangzijiang is more selective on orders ahead given the relatively full order backlog and potential to negotiate for higher newbuild prices.

Revenue coverage of ~2.9-years. Yangzijiang's orderbook stood at US\$8.1bn as of end June 2022. Based on Yangzijiang's revenue maximum run rate of c. US\$2.8bn a year, current orderbook implies ~2.9-years revenue coverage, which is at the upper end of its ideal range of 2-3x.

Stellar Shipping performance. Shipping segment contributed meaningfully with gross profit growth of 26% y-o-y, driven largely by charter rate improvement and fleet expansion. Gross margin was firm at ~40%.

Net cash of ~20 Scts + financial assets worth 11 Scts. Though the bulk of the investment and cash on hand have been transferred to the separate investment listing (Yangzijiang Financial Holdings) in end Apr-22, Yangzijiang's balance sheet remains very healthy. As of end Jun-2022, the group has c.Rmb3.7bn net cash or ~20 Scts per share. In addition, there remains a small portion of non-performing debt investments and financial assets of Rmb2.3bn or 11 Scts per share sitting on Yangzijiang's book, which it will try to recoup.

ESG strategy. Yangzijiang has set out a two-pronged decarbonisation strategy: 1) Green factory strategy – installation of rooftop solar panels, enhance management of water and electricity, and improve efficient usage of steel; 2) Green vessel strategy – continuous efforts in R&D and progress in development of clean energy vessels.

Remarkable milestone in clean vessel space; accounts for c.30% of orderbook. Yangzijiang now has c. US\$2.3bn worth of clean vessels (LPG / Liquefied Ethylene Gas (LEG) carriers and LNG dual fuel containerships), making up c.30% of orderbook. The recent order of LNG dual fuel containerships that will carry the GTT Mark III technology and Liquefied Ethylene Gas (LEG) carriers showcases Yangzijiang's growing focus and expertise in the LNG market.

Yangzijiang Shipbuilding

Yangzijiang: LNG-related clean vessels on orderbook

Date announced	Type of vessel	No. of units	Job scope	Value, DBS Est (US\$ m)
LNG/LPG vessels				
Jun-21	LPG vessels	3	40k CBM LPG vessels	150
Jul-22	LEG carrier	2	36k CBM Liquefied Ethylene Gas ("LEG") carriers	150
Containerships (LNG dual fuel)				
Jul-21	Containership (Dual)	15	7k TEU dual-fuel containerships	1,500
Jul-22	Containership (Dual)	4	8k TEU LNG dual-fuel	520
Total				2,320

Source: Company, DBS Bank

Company Background

Yangzijiang is one of the largest, most efficient, and profitable shipbuilders in China. It has moved up the value chain to produce ultra-large containerships and very large bulk carriers, as well as LNG vessels.

Interim Income Statement (RMBm)

FY Dec	1H2021	2H2021	1H2022	% chg yoy	% chg hoh
Revenue	6,600	10,168	9,741	47.6	(4.2)
Cost of Goods Sold	(4,914)	(8,224)	(8,317)	69.3	1.1
Gross Profit	1,686	1,944	1,424	(15.6)	(26.8)
Other Oper. (Exp)/Inc	405	212	(51)	(112.7)	(124.3)
Operating Profit	2,091	2,156	1,372	(34.4)	(36.3)
Other Non Opg (Exp)/Inc	0	0	0	nm	nm
Associates & JV Inc	68	293	5	(92.0)	(98.1)
Net Interest (Exp)/Inc	92	181	98	6.0	(46.1)
Exceptional Gain/(Loss)	0	0	0	-	-
Pre-tax Profit	2,252	2,630	1,476	(34.5)	(43.9)
Tax	(568)	(586)	(307)	(46.1)	(47.7)
Minority Interest	(44)	16	1	nm	nm
Net Profit	1,639	2,060	1,171	(28.6)	(43.2)
Net profit bef Except.	1,639	2,060	1,171	(28.6)	(43.2)
EBITDA	2,423	2,657	1,647	(32.0)	(38.0)
Margins (%)					
Gross Margins	25.5	19.1	14.6		
Opg Profit Margins	31.7	21.2	14.1		
Net Profit Margins	24.8	20.3	12.0		

Source of all data: Company, DBS Bank

Yangzijiang Shipbuilding

Peer comparison

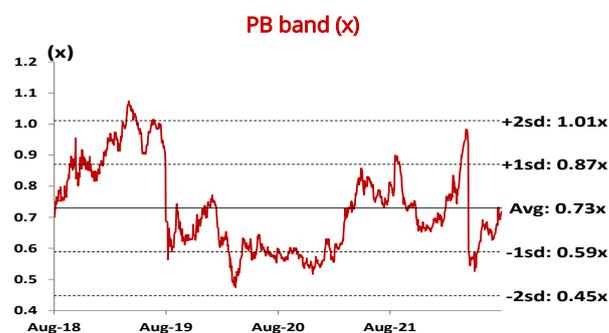
Company	Last Px (LC)	Market cap (US\$m)	P/E FY22F	- FY23F	P/B Current	ROE (%) FY22F	- FY23F	Net D/E Current	Div Yld (%) Current
Singapore									
Yangzijiang	0.925	2,646	6.7	5.8	1.0	10.8%	15.7%	CASH	5.4%
China									
China CSSC	22.48	14,869	103.6	39.6	2.2	2.1%	5.1%	CASH	0.2%
China Shipbuilding Industry Co (CSIC)	3.76	12,679	nm	nm	1.0	nm	nm	CASH	-
Shanghai Zhenhua Heavy Industries	3.47	2,217	nm	nm	1.3	nm	nm	1.8	-
Korea									
Korea Shipbuilding & Offshore	87,900	4,770	nm	9.3	0.6	-1.6%	6.5%	CASH	-
Hyundai Mipo	102,000	3,124	483.7	23.9	1.9	1.0%	7.6%	CASH	-
Samsung Heavy Industries	5,790	3,907	nm	117.3	1.2	nm	nm	0.3	-
Daewoo Shipbuilding	20,550	1,691	nm	19.2	1.3	-44.9%	6.5%	0.3	-
		Average:	152.3	32.8	1.2	-4.6%	6.3%	0.7	
		Median:	59.3	19.2	1.1	-0.3%	6.5%	0.6	

Source: Bloomberg Finance L.P., DBS Bank

Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

Yangzijiang Shipbuilding

Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
Order wins (US\$ m)	830	1,770	7,410	3,000	2,500
Steel cost (RMB/t)	4,530	4,349	5,871	5,812	5,521
RMB / USD	6.80	6.60	6.60	6.70	6.80

Segmental Breakdown

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (RMBm)					
Shipbuilding	13,019	9,970	13,198	17,056	18,235
Investment	2,099	2,043	1,742	0.0	0.0
Others	8,479	2,828	1,828	2,535	2,416
Total	23,597	14,841	16,768	19,590	20,651
Gross profit (RMBm)					
Shipbuilding	1,946	2,061	1,557	2,440	3,600
Investment	1,994	1,941	1,655	0.0	0.0
Others	389	221	419	925	726
Total	4,329	4,222	3,630	3,364	4,325
Gross profit Margins (%)					
Shipbuilding	14.9	20.7	11.8	14.3	19.7
Investment	95.0	95.0	95.0	N/A	N/A
Others	4.6	7.8	22.9	36.5	30.0
Total	18.3	28.4	21.7	17.2	20.9

Income Statement (RMBm)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	23,597	14,841	16,768	19,590	20,651
Cost of Goods Sold	(19,269)	(10,619)	(13,138)	(16,226)	(16,326)
Gross Profit	4,329	4,222	3,630	3,364	4,325
Other Opng (Exp)/Inc	(321)	(1,333)	616	(386)	(723)
Operating Profit	4,007	2,889	4,247	2,979	3,603
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	117	211	362	20.0	20.0
Net Interest (Exp)/Inc	62.1	190	273	260	225
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	4,186	3,290	4,882	3,259	3,847
Tax	(890)	(672)	(1,155)	(749)	(885)
Minority Interest	(191)	(102)	(28.5)	(2.0)	(3.0)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	3,105	2,516	3,699	2,507	2,959
Net Profit before Except.	3,105	2,516	3,699	2,507	2,959
EBITDA	4,602	3,584	5,079	3,411	4,042
Growth					
Revenue Gth (%)	1.5	(37.1)	13.0	16.8	5.4
EBITDA Gth (%)	4.8	(22.1)	41.7	(32.8)	18.5
Opg Profit Gth (%)	1.6	(27.9)	47.0	(29.9)	20.9
Net Profit Gth (Pre-ex) (%)	1.1	(19.0)	47.0	(32.2)	18.0
Margins & Ratio					
Gross Margins (%)	18.3	28.4	21.7	17.2	20.9
Opg Profit Margin (%)	17.0	19.5	25.3	15.2	17.4
Net Profit Margin (%)	13.2	17.0	22.1	12.8	14.3
ROAE (%)	10.3	7.9	10.8	9.3	15.7
ROA (%)	6.8	5.6	7.7	5.7	8.1
ROCE (%)	8.6	5.9	8.0	6.8	10.5
Div Payout Ratio (%)	27.5	33.4	25.7	37.9	35.4
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS Bank

Yangzijiang Shipbuilding

Interim Income Statement (RMBm)

FY Dec	1H2020	2H2020	1H2021	2H2021	1H2022
Revenue	8,265	6,576	6,600	10,168	9,741
Cost of Goods Sold	(6,281)	(4,338)	(4,914)	(8,224)	(8,317)
Gross Profit	1,984	2,238	1,686	1,944	1,424
Other Oper. (Exp)/Inc	(437)	(896)	405	212	(51.5)
Operating Profit	1,547	1,342	2,091	2,156	1,372
Other Non Opp (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	49.3	162	68.3	293	5.48
Net Interest (Exp)/Inc	99.5	90.0	92.2	181	97.7
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1,696	1,594	2,252	2,630	1,476
Tax	(489)	(183)	(568)	(586)	(307)
Minority Interest	(29.0)	(72.6)	(44.2)	15.8	1.44
Net Profit	1,178	1,339	1,639	2,060	1,171
Net profit bef Except.	1,178	1,339	1,639	2,060	1,171
EBITDA	1,861	1,723	2,423	2,657	1,647

Growth

Revenue Gth (%)	(19.5)	(20.4)	0.4	54.1	(4.2)
EBITDA Gth (%)	(8.0)	(7.4)	40.6	9.6	(38.0)
Opp Profit Gth (%)	(12.4)	(13.2)	55.8	3.1	(36.3)
Net Profit Gth (%)	(12.4)	13.7	22.4	25.7	(43.2)

Margins

Gross Margins (%)	24.0	34.0	25.5	19.1	14.6
Opp Profit Margins (%)	18.7	20.4	31.7	21.2	14.1
Net Profit Margins (%)	14.2	20.4	24.8	20.3	12.0

Balance Sheet (RMBm)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	5,678	5,226	5,152	5,240	5,020
Invts in Associates & JVs	1,533	1,544	1,628	1,648	1,668
Other LT Assets	7,293	7,687	6,280	3,560	3,533
Cash & ST Invts	21,552	21,926	28,599	13,822	15,473
Inventory	1,598	1,678	1,640	2,474	2,608
Debtors	4,680	3,633	4,121	4,353	3,755
Other Current Assets	3,422	3,216	4,193	4,591	5,029
Total Assets	45,756	44,911	51,612	35,688	37,085
ST Debt	2,782	2,121	2,504	3,756	3,380
Creditor	3,514	2,699	2,804	3,918	3,442
Other Current Liab	3,894	3,144	6,491	6,225	6,360
LT Debt	2,251	2,124	1,953	2,050	2,153
Other LT Liabilities	1,260	1,448	1,799	1,799	1,799
Shareholder's Equity	31,096	32,342	35,923	17,799	19,807
Minority Interests	959	1,034	138	140	143
Total Cap. & Liab.	45,756	44,911	51,612	35,688	37,085
Non-Cash Wkg. Capital	2,292	2,685	659	1,275	1,589
Net Cash/(Debt)	16,519	17,682	24,143	8,016	9,940
Debtors Turn (avg days)	75.3	102.2	84.4	78.9	71.7
Creditors Turn (avg days)	74.9	111.9	79.3	77.6	84.4
Inventory Turn (avg days)	40.8	59.0	47.8	47.5	58.3
Asset Turnover (x)	0.5	0.3	0.3	0.4	0.6
Current Ratio (x)	3.1	3.8	3.3	1.8	2.0
Quick Ratio (x)	2.6	3.2	2.8	1.3	1.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	10.5	5.2	6.3	8.6	3.6
Z-Score (X)	2.9	2.8	2.9	2.9	2.9

Source: Company, DBS Bank

Yangzijiang Shipbuilding

Cash Flow Statement (RMBm)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	4,186	3,290	4,882	3,259	3,847
Dep. & Amort.	477	483	471	412	420
Tax Paid	(781)	(863)	(698)	(1,015)	(749)
Assoc. & JV Inc/(loss)	(117)	(211)	(362)	(20.0)	(20.0)
Chg in Wkg.Cap.	985	(2,962)	2,737	(351)	(450)
Other Operating CF	(142)	(348)	(888)	0.0	0.0
Net Operating CF	4,609	(612)	6,143	2,285	3,048
Capital Exp.(net)	(530)	(219)	(283)	(500)	(200)
Other Invs.(net)	0.0	0.0	0.0	0.0	0.0
Invs in Assoc. & JV	(149)	10.4	204	0.0	0.0
Div from Assoc & JV	139	70.5	0.0	0.0	0.0
Other Investing CF	(172)	(897)	394	17,439	1,527
Net Investing CF	(712)	(1,035)	315	16,939	1,327
Div Paid	(990)	(896)	(843)	(951)	(951)
Chg in Gross Debt	811	(696)	286	1,350	(273)
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(128)	(311)	(172)	(19,680)	0.0
Net Financing CF	(307)	(1,903)	(728)	(19,282)	(1,224)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	3,589	(3,550)	5,730	(58.1)	3,151
Opg CFPS (S cts)	18.7	12.5	17.7	13.7	18.2
Free CFPS (S cts)	21.0	(4.4)	30.5	9.29	14.8

Source: Company, DBS Bank

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	05 Nov 21	1.29	1.95	BUY
2:	01 Mar 22	1.44	2.15	BUY
3:	29 Mar 22	1.52	2.15	BUY
4:	04 Aug 22	0.92	1.38	BUY

Source: DBS Bank

Analyst: Pei Hwa HO

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 10 Aug 2022 07:06:56 (SGT)

Dissemination Date: 10 Aug 2022 08:55:38 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

On 3 June 2021, President J. Biden issued Executive Order 14032 ("the EO"), superseding Executive Order 13959 of 12 November 2020. The EO, which takes effect on 2 August 2021, prohibits US persons from investing in publicly traded securities or derivatives thereof from firms listed as Chinese Military-Industrial Complex Companies ("CMICs"). The list of CMICs can be found on the US Department of the Treasury's website at <https://home.treasury.gov/policy-issues/financial-sanctions/consolidated-sanctions-list/ns-cmic-list>.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in Yangzijiang Shipbuilding, recommended in this report as of 30 Jun 2022.

Compensation for investment banking services:

2. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

Disclosure of previous investment recommendation produced:

3. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBSR </p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact Chanpen Sirithanarattanukul at research@th.dbs.com</p>

<p>United Kingdom</p>	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch ("DBS UK"). DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK, This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<p>Dubai International Financial Centre</p>	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our-network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>

Yangzijiang Shipbuilding

United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Paul Yong
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand