

# Yangzijiang

Shipbuilding (Holdings) Ltd.

**Corporate Presentation**  
August 2010



Yangzijiang Shipbuilding (Holdings) Ltd.



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Section 1  
Group Overview



Yangzijiang Shipbuilding (Holdings) Ltd.



# Group Profile



## Yangzijiang

A leading shipbuilder in the PRC, listed on the SGX and part of STI's reserve list, builds wide range of commercial vessels (containerships, bulk cargo carriers and multi-purpose cargo vessels) through three yards across the Yangtze River

### JYS – old yard

Located in Jiangyin city, the yard spans about 800 m of deep-water coastline and covers an area of about 200,000 sq m (excluding the coastal area)

### JNYS – new yard

Located in Jingjiang city, the yard has 1,940 m of deep-water coastline, production area of 1,508,857 sq m, a dry dock that can accommodate two 100,000 dwt vessels and two half 100,000 dwt vessels at one time

### JCSC – acquired in June 2010

Also called Changbo yard, it is located at the downstream of Yangtze River, opposite of JYS, the yard has a 926 m deep water coast line, production area of 286,471 sq m with production capacity of 400,000 DWT



# Excellent track record

Uncompromising Quality & Prompt Delivery



## Competitive advantages

- High level of quality and well acclaimed by shipbuilding surveyors
- Repeat orders from long term clients
- Prompt in delivery of vessels
- Well managed operations - less cost overruns

## Group's niche

- Sophisticated designs = minimum modifications
- Least retrofitting of tools = significant reduction of fixed cost per vessel
- Mass production = economies of scale

## Building capacity

- For the old yard, it is currently 0.2 million CGT
- For the new yard, it will be progressively expanded to 0.8 million CGT
- For the Changbo yard, capacity will be ramped till 0.2 million CGT once integrated in the Group



# Quality Clients



- ◆ Canadry (Italy)
- ◆ Carisbrooke (UK)
- ◆ Cosco (China)
- ◆ D'amato (Italy)
- ◆ Formosa (Taiwan)
- ◆ Fujian Shipping Company (China)
- ◆ Hansa Shipping (Germany)
- ◆ IMS Shipping (Italy)
- ◆ Peter Dohle (Germany)
- ◆ Rickers Reederei (Germany)
- ◆ Seaspan (Canada)
- ◆ Tomas Schulte (Germany)





# Share Information



<b>Share price (as at close of 10 Aug 2010)</b>	S\$1.43
<b>Market capitalization</b>	S\$5.2 billion
<b>52 week high / low</b>	S\$ 1.57 / 0.91
<b>P/E</b>	10.92
<b>P/B</b>	4.14
<b>Dividend yield (gross indicated)</b>	2.45%
<b>Number of shares</b>	3,653.5 million
<b>Major shareholders:</b>	Ren Yuanlin (29.23%) Wan Dong (13.97%) Public Float (35.54%)

Source: Bloomberg (10 August 2010)



Yangzijiang Shipbuilding (Holdings) Ltd.

Section 2  
Financial  
Overview



Yangzijiang Shipbuilding (Holdings) Ltd.





# Results Highlight

For 2Q2010 yoy



Financial Highlights	2Q2010	2Q2009	Change	Reason/s
	RMB'000	RMB'000	%	
<b>Revenue</b>	3,073,451	2,498,665	23	More vessels delivered: 12 in 2Q2010 vs 11 in 2Q2009
<b>Gross Profit</b>	761,071	609,793	25	Higher margin from construction and delivery of shipbuilding contracts that were secured prior to the crisis
<b>Gross Profit Margin</b>	24.8%	24.4%	-	
<b>Other Income</b>	191,251	52,279	266	Increased investment in held-to-maturity products and higher level of cash deposits
<b>Other Gains/(Losses)</b>	13,465	107,248	(87)	Less favourable forward contract rates & negative mark to market variation for orders
<b>Operating Expenses</b>	(48,555)	(50,452)	(4)	Maintained at 2% of revenue
<b>Net Profit Attributable to Equityholders</b>	800,466	607,368	32	Enjoyed preferential tax rate of 15% for old yard as opposed to standard 25% due to HNTE accreditation
<b>Net Profit Margin</b>	26.0%	24.3%	-	



# Results Highlight

For 2Q2010 qoq



Financial Highlights	2Q2010	1Q2010	Change
	RMB'000	RMB'000	%
Revenue	3,073,451	2,675,504	15
Gross Profit	761,071	622,801	22
Gross Profit Margin	24.8%	23.3%	-
Other Income	191,251	125,077	53
Other Gains/(Losses)	13,465	40,155	(66)
Operating Expenses	(48,555)	(44,772)	8
Net Profit Attributable to Equityholders	800,466	586,415	37
Net Profit Margin	26.0%	21.9%	-



# Results Highlight

For 1H2010 yoy



Financial Highlights	1H2010	1H2009	Change
	RMB'000	RMB'000	%
Revenue	5,748,955	4,588,824	25
Gross Profit	1,383,872	1,034,299	34
Gross Profit Margin	24.1%	22.5%	-
Other Income	316,328	91,972	244
Other Gains/(Losses)	53,620	204,506	(74)
Operating Expenses	(93,327)	(97,040)	(4)
Net Profit Attributable to Equityholders	1,386,881	1,090,639	27
Net Profit Margin	24.1%	23.8%	-





# Results Highlight

Balance Sheet



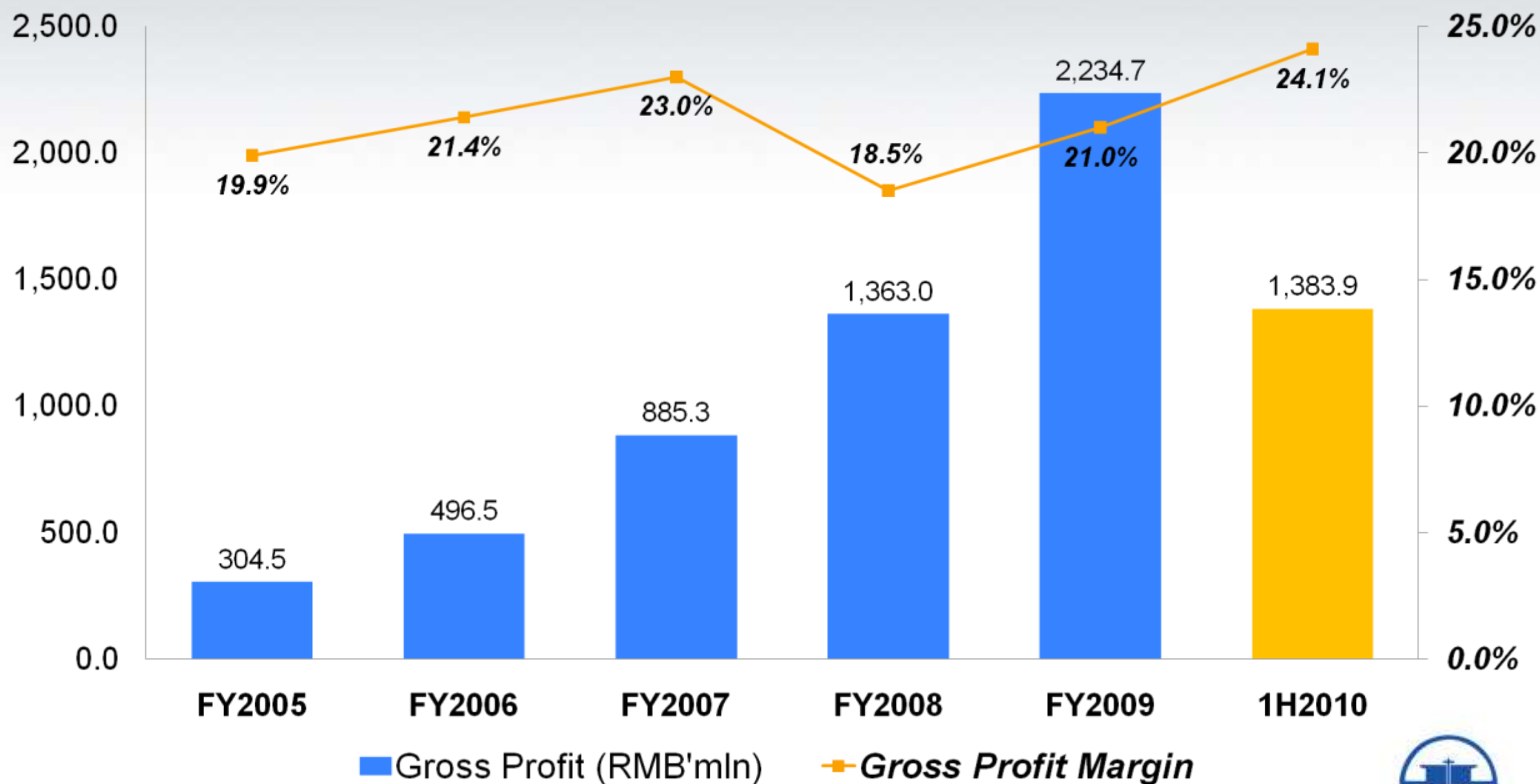
Financial Highlights	30 June 2010	31 December 2009
	RMB'000	RMB'000
Property, Plant and Equipment	1,931,429	1,966,580
Restricted Cash	3,042,410	2,979,646
Cash & Cash Equivalents	4,251,614	3,806,955
Total Debt	774,270	907,077
Total Equity	7,169,365	6,310,304
Gross Gearing	10.8%	14.4%
Net Gearing	Net Cash	Net Cash
Net Asset Value per Ordinary Share (RMB cents)	193.83	172.73



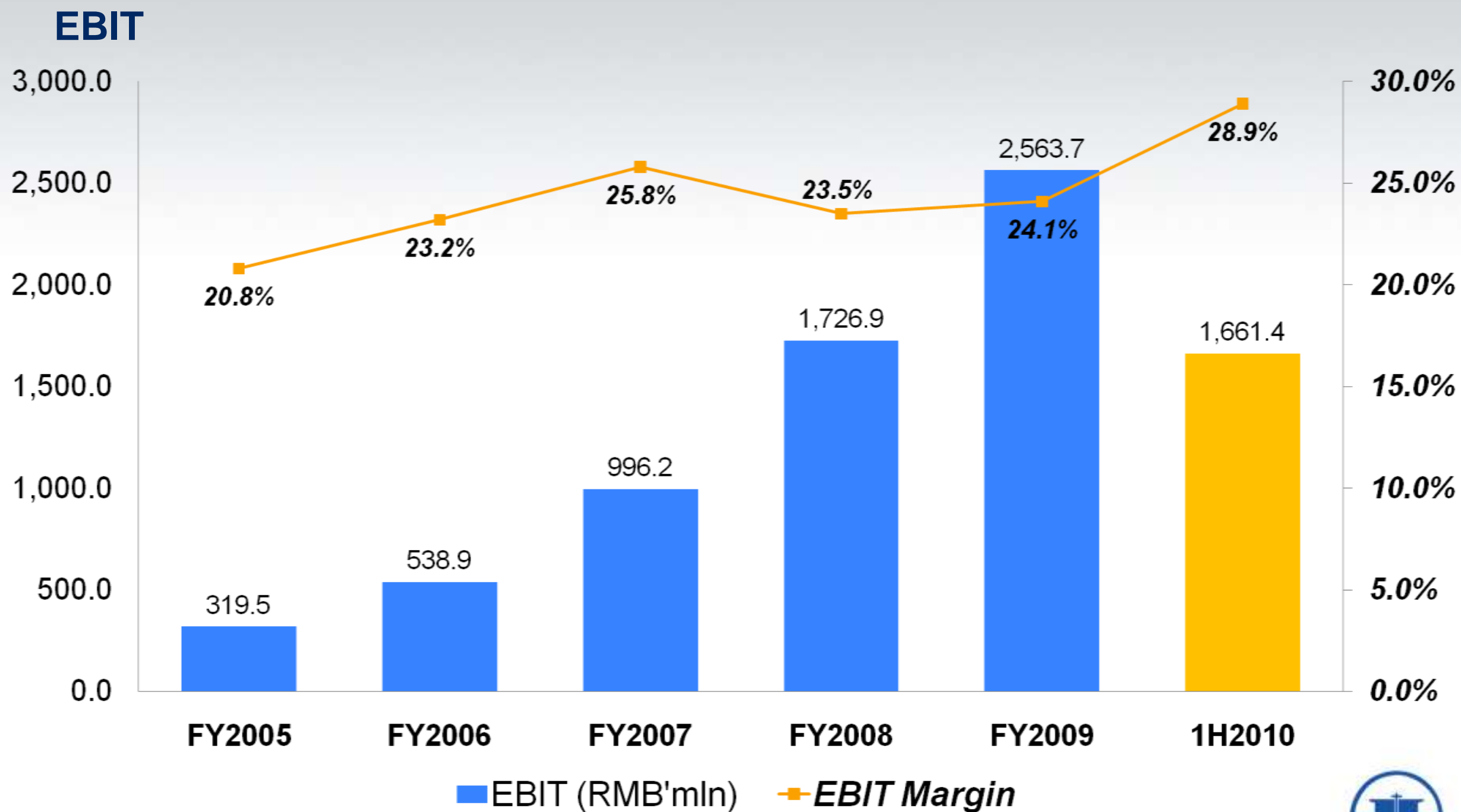
# Profitability Trends



## Gross Profit



# Profitability Trends

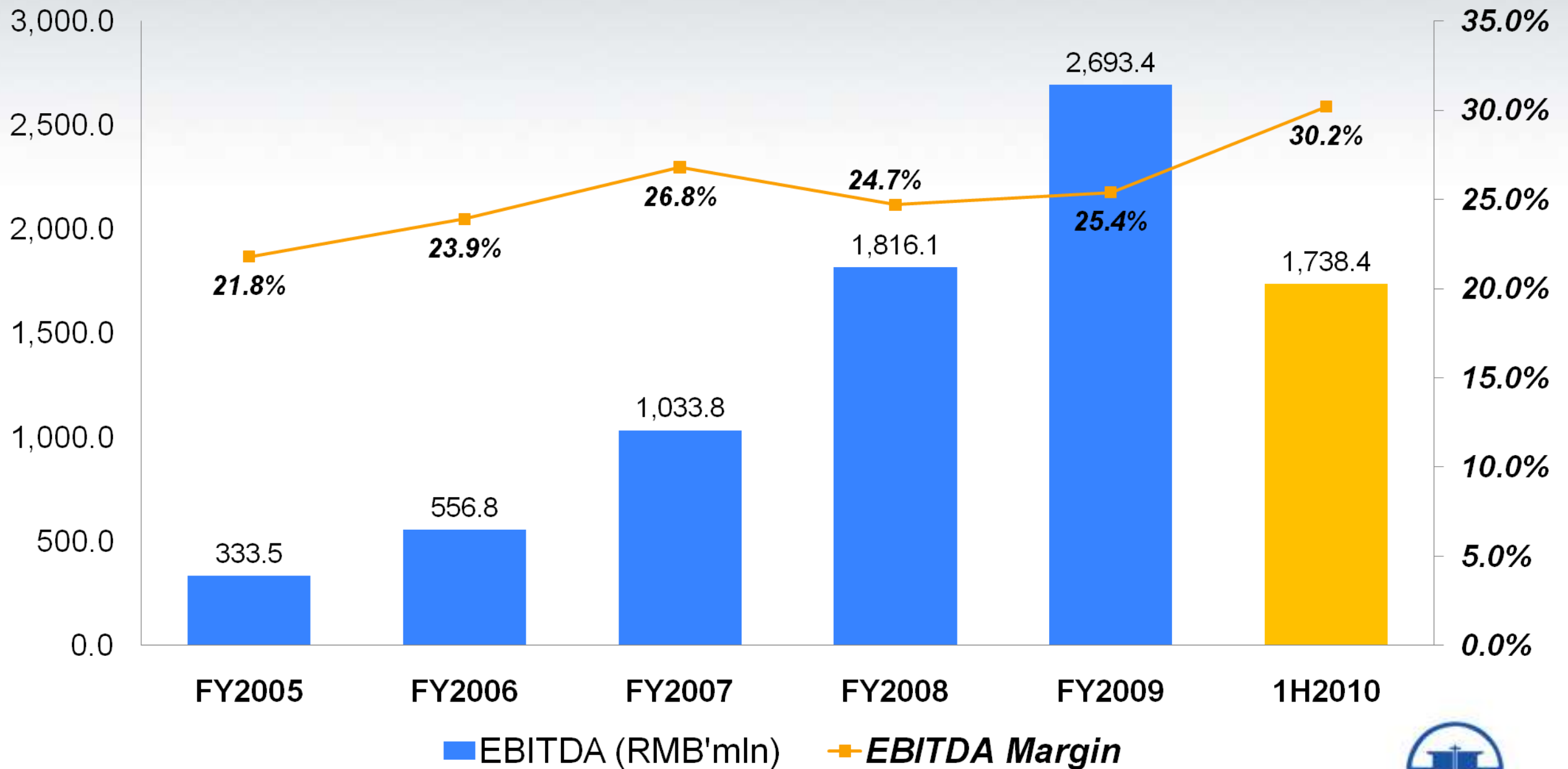




# Profitability Trends



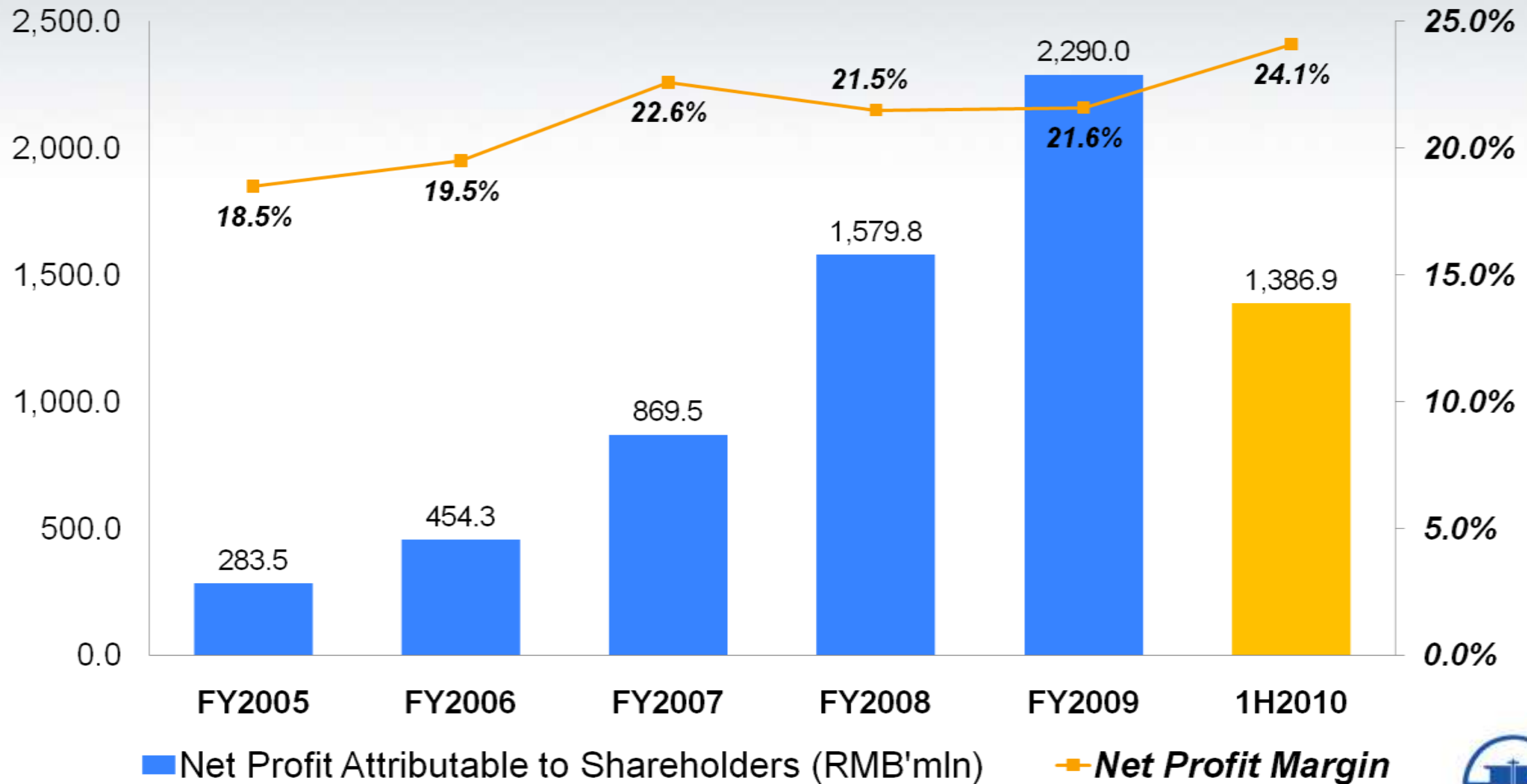
## EBITDA



# Profitability Trends



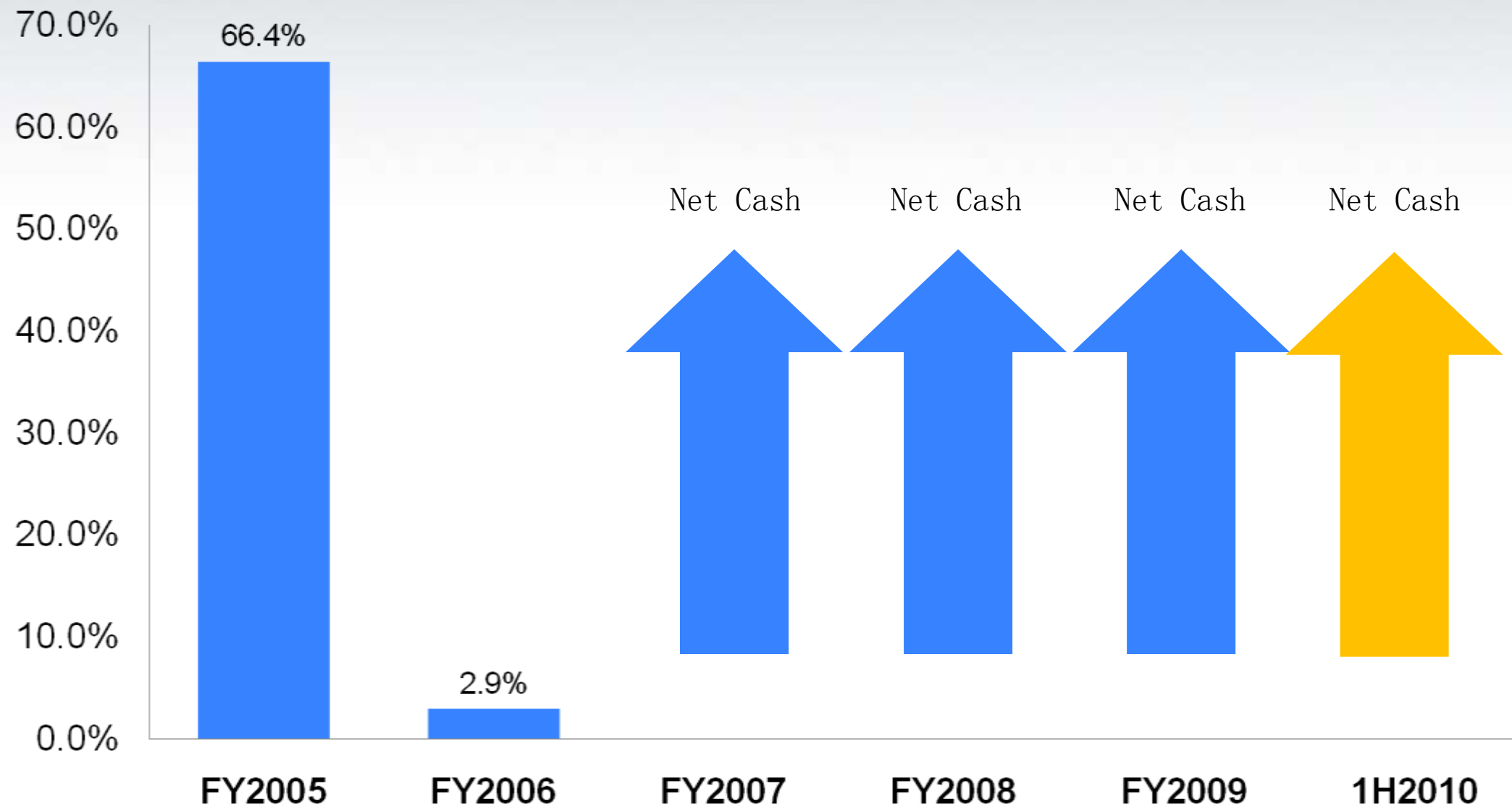
## Net Profit Attributable to Shareholders



# Strong Financial Position



## Net Gearing

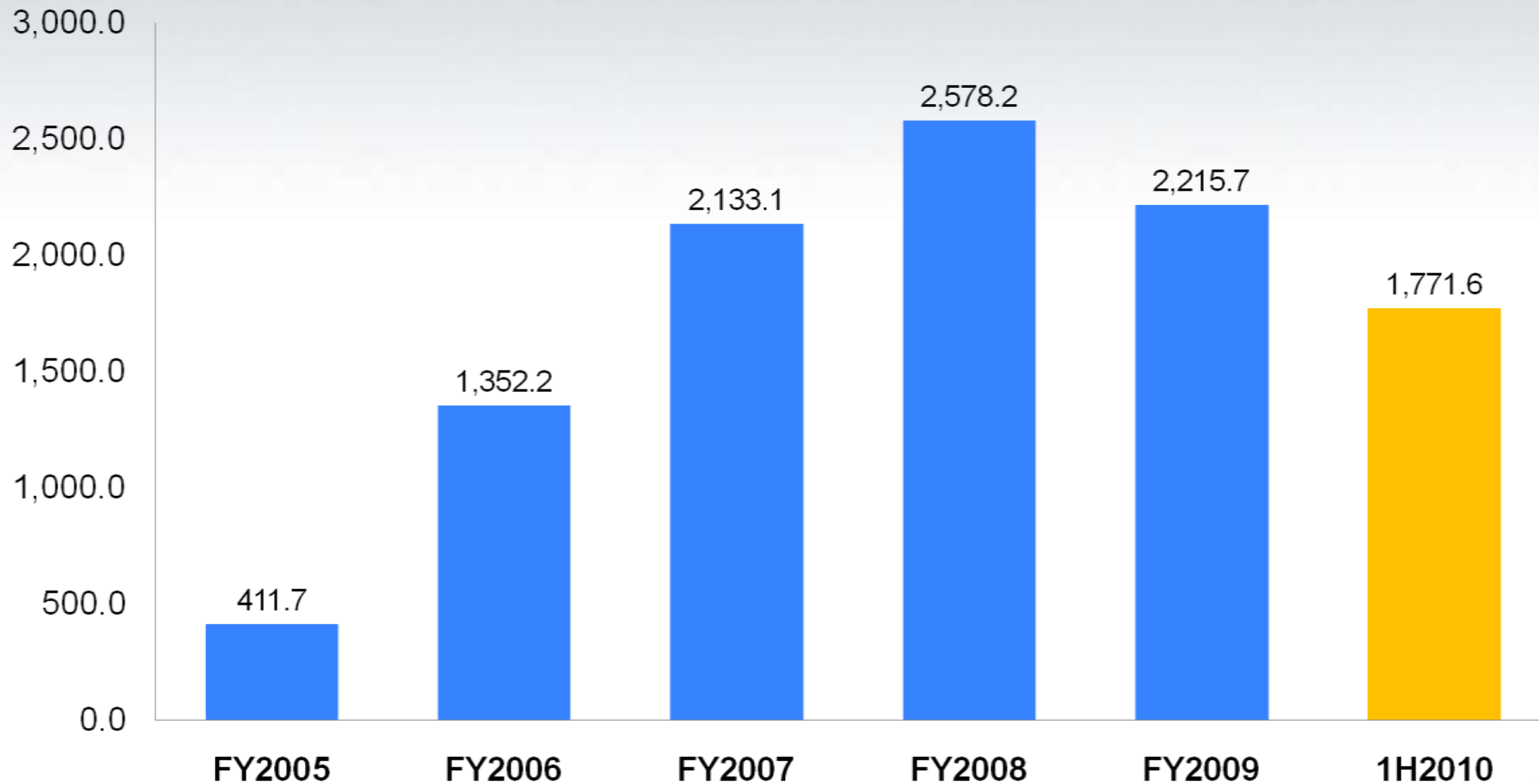




# Strong Financial Position



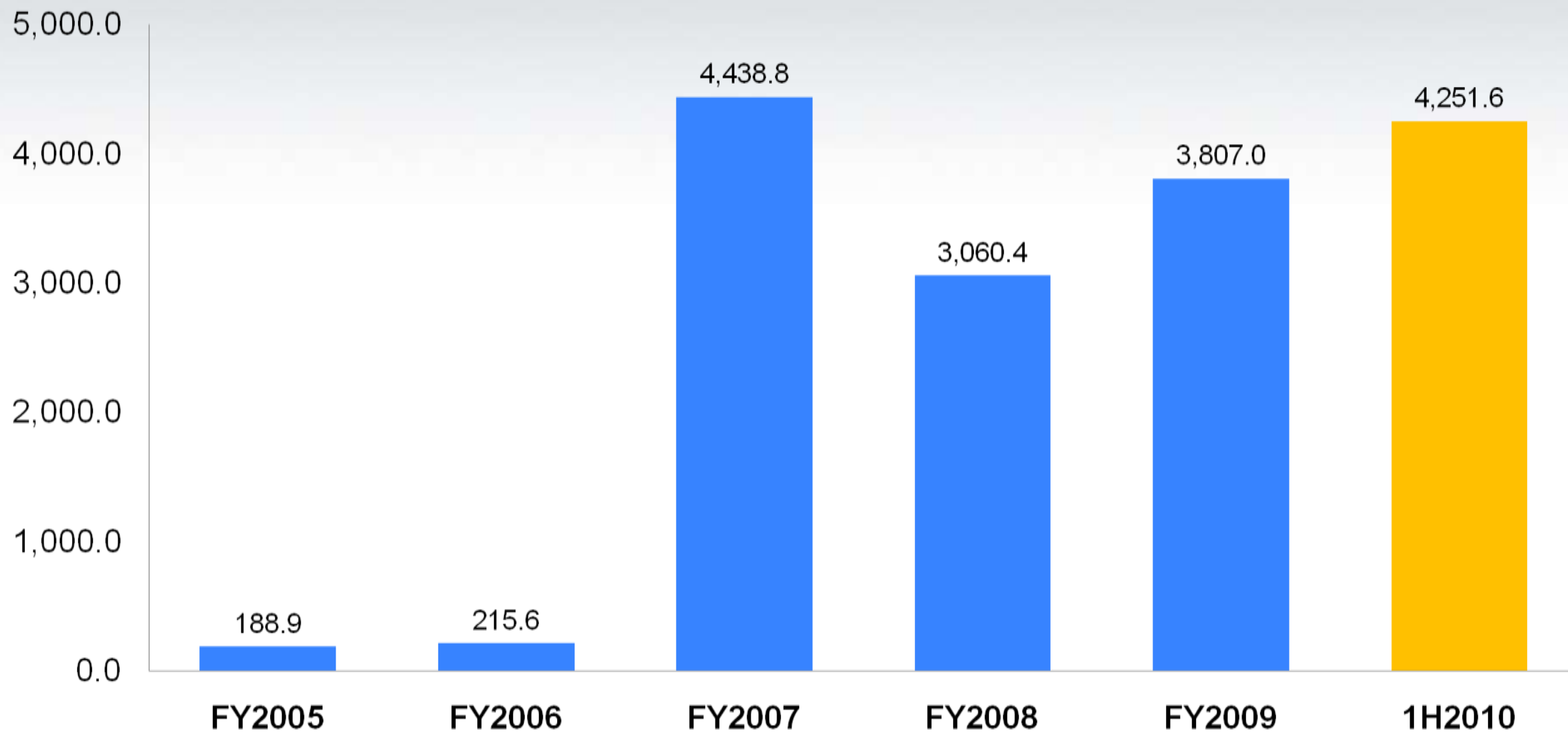
## Operating Cash Flow (RMB'mln)



# Strong Financial Position



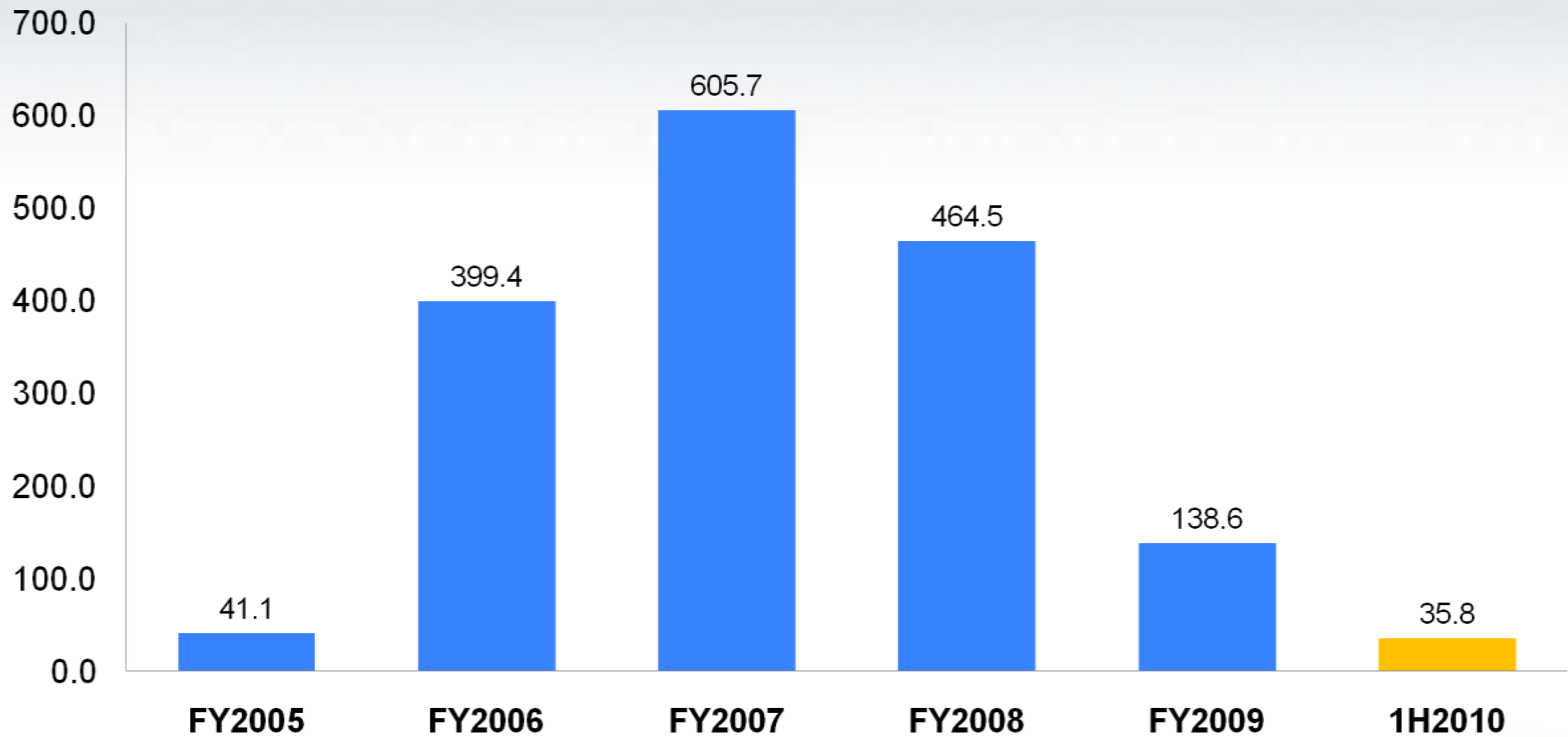
## Cash & Cash Equivalents (RMB'mln)



# CAPEX



## Capital Expenditure (RMB'mln)





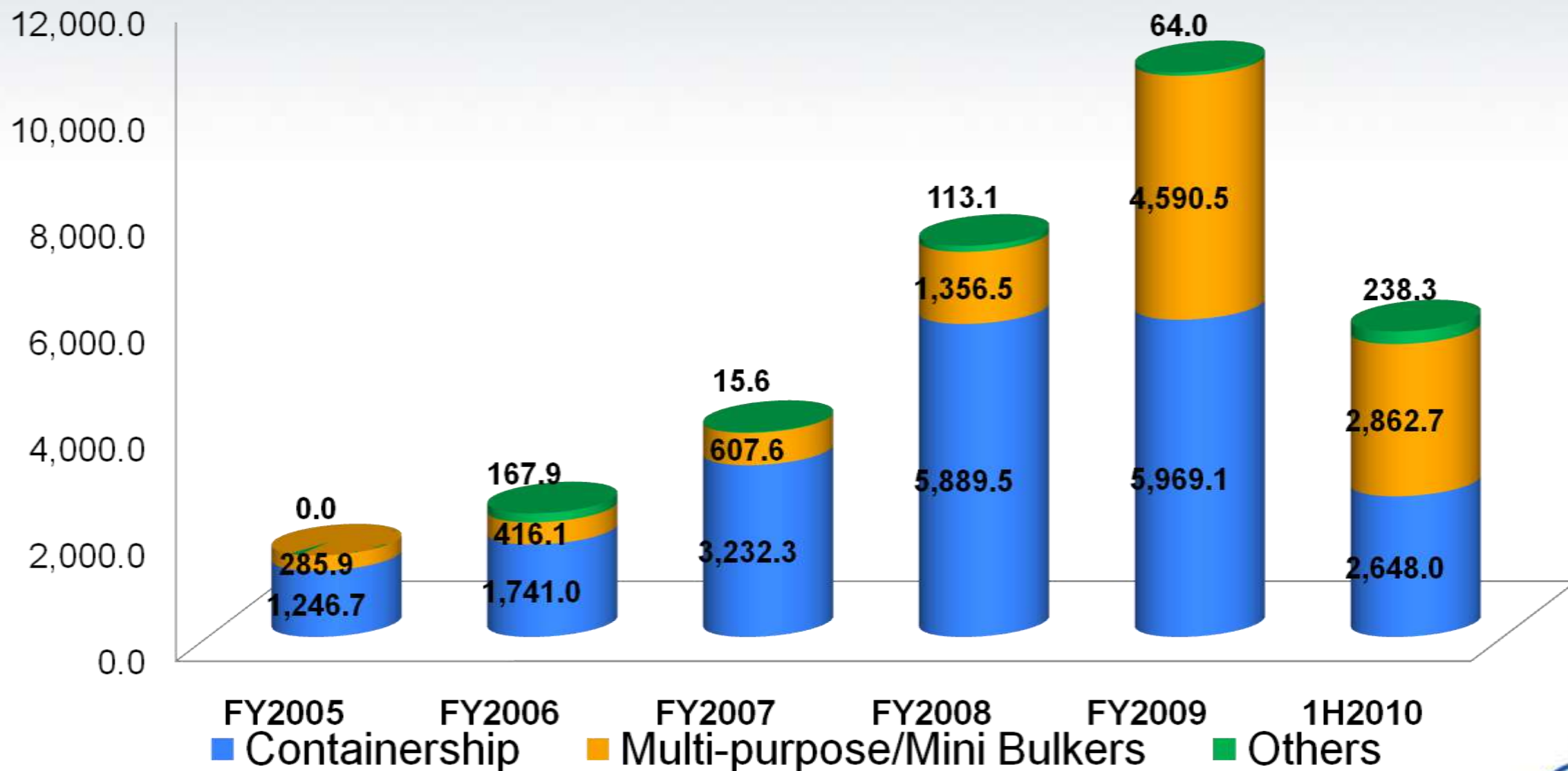
Section 3  
Operational  
Highlights



# Revenue Trend



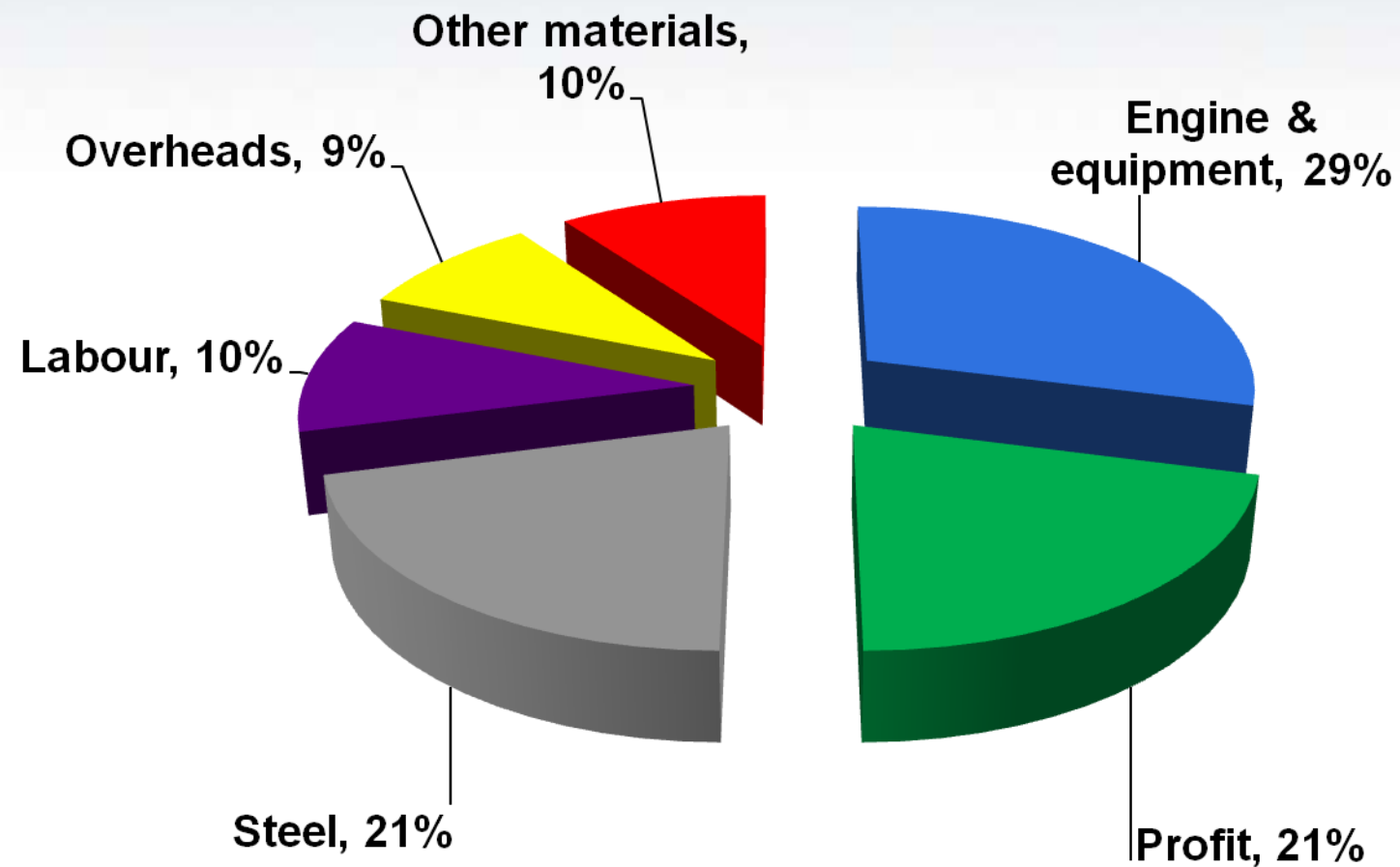
## Total Revenue (RMB'mln)



# Cost Structure

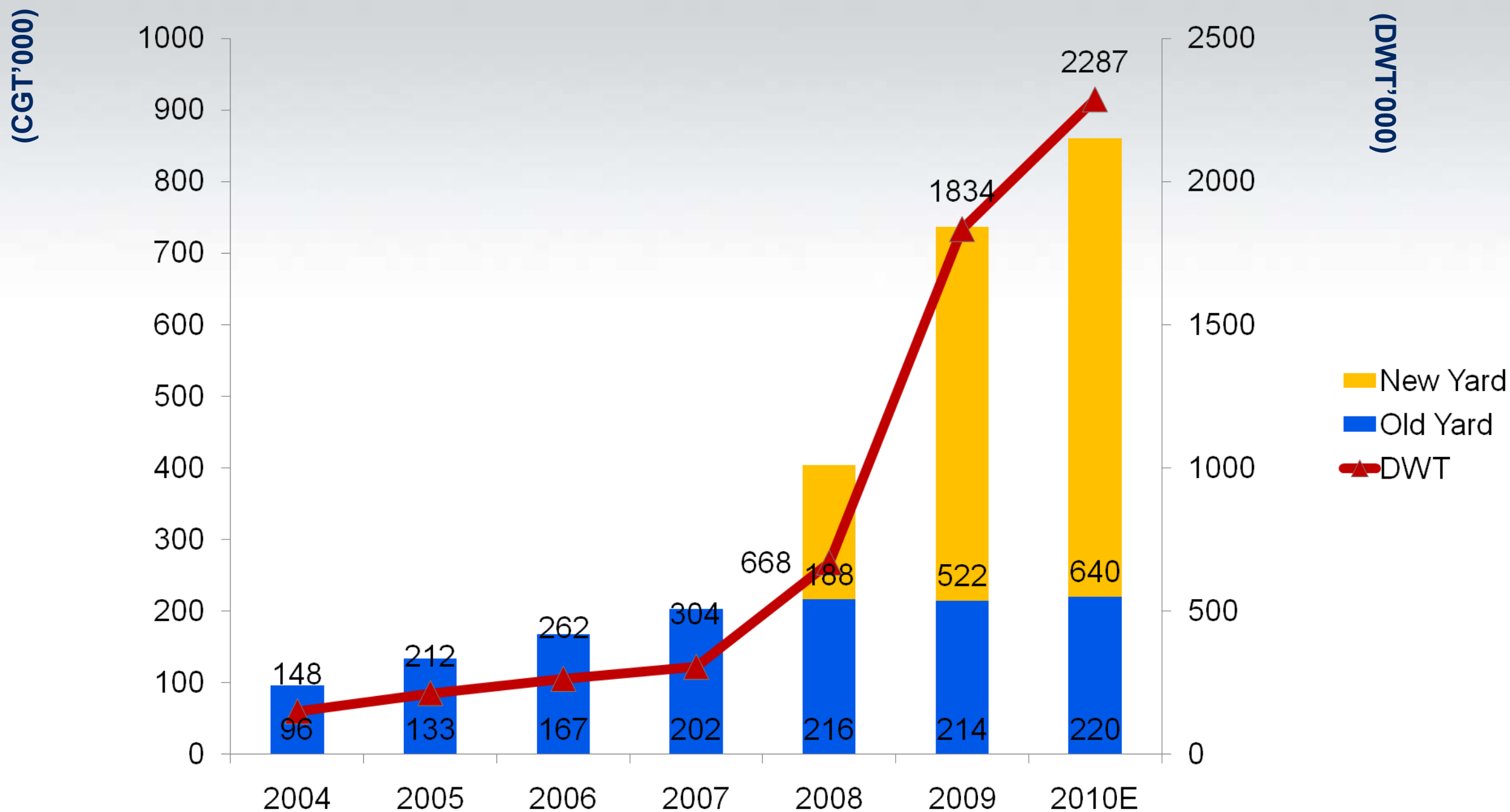


## Usual cost structure





# Production Capacity



**Note: Currently the new yard is operating at a capacity utilization rate of about 80%, while the old yard at full capacity**





# New Orders



## New orders secured in 2010

- Contracts to build 10 new vessels secured in 2Q2010 (1 Apr to 30 June) worth USD234m
- This brings total to 17 new vessels secured so far in 2010 (1 Jan to 30 June) worth USD431m

## Potential for more orders based on

- YZJ's healthy and strong execution track record
- Strong balance sheet with cash of RMB4.3b as at 30 June 2010
- Uncertainties on other smaller unproven yards
- Good reputation

## Attended to vessel type change request

- YZJ accommodated requests from ship owner to change type of vessels, like accepted request to change containerhips to Multi-purpose Bulkers



# Strong Order Book



Total: 124 vessels; 2.28million CGT @ USD 5.23 billion  
42 containerships, 1.00 million CGT @ USD 2.58 billion  
82 bulk carriers, 1.28 million CGT @ USD 2.65 billion

New Yard: - 4250 TEU (34 vessels)      - 92500 DWT (42 vessels)

Old Yard: 2500 TEU (5 vessels)      19000 DWT (2 vessels)  
1350 TEU (3 vessels)      12600 DWT (3 vessels)  
45000 DWT (6 vessels)      7600 DWT (14 vessels)  
34000 DWT (4 vessels)      6250 DWT (7 vessels)  
8500 DWT (4 vessels)

**Note: Order book is as at 30 June 2010 and this does not include order book of the newly acquired Changbo shipyard**



# No Cancellation

Proactive to work with ship owners



## How YZJ is able to ensure no cancellation of orders so far:

YZJ actively liaises with banks to help some ship owners apply for financing

Willing to evaluate request to delay start of vessel construction (for orders where 40% prepayment in cash is received)

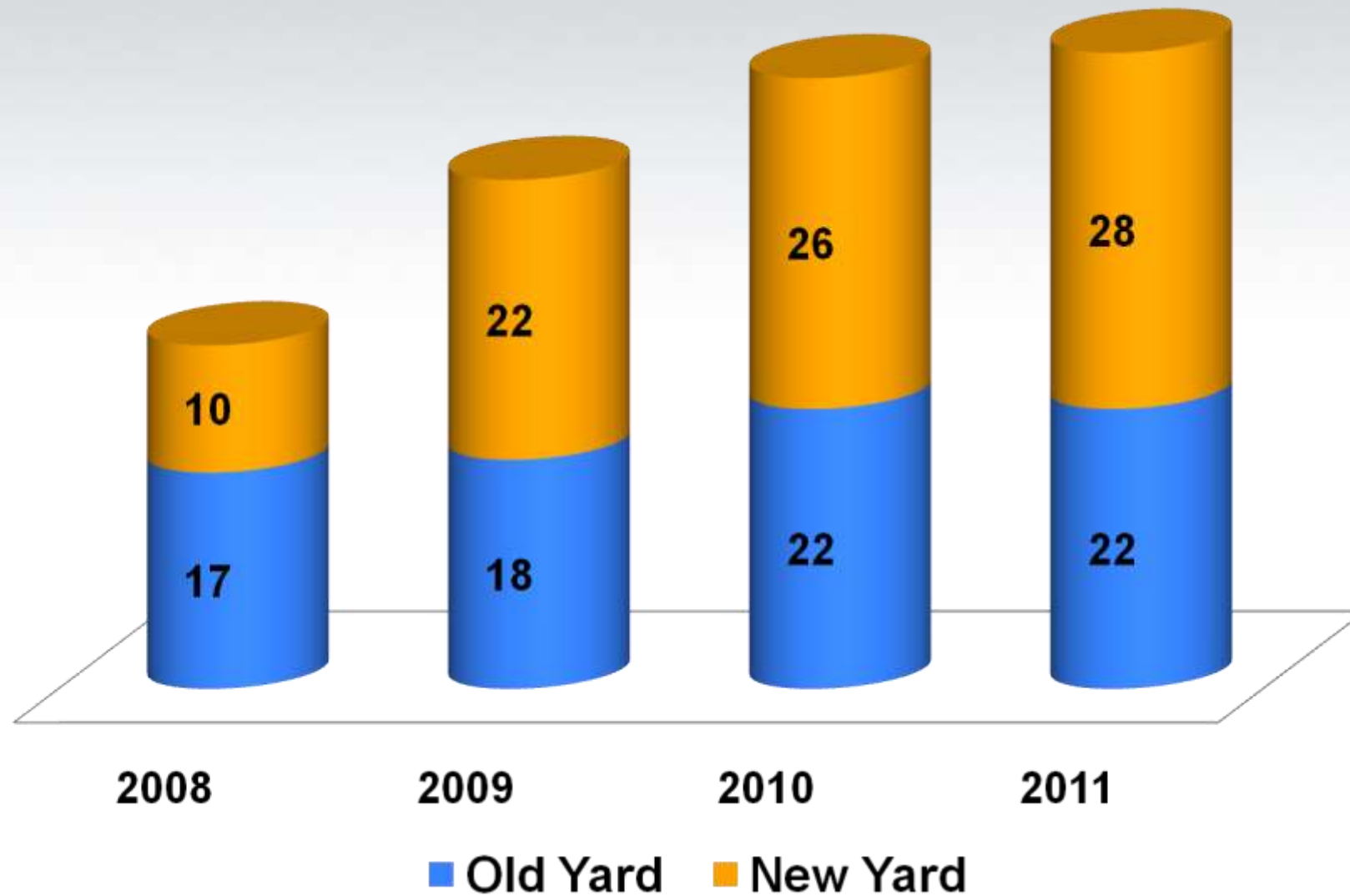
To evaluate request by ship owners to change the vessel type, provided the requested vessel type is one of the types built by YZJ yards

Option of providing docking facilities for completed vessels up to 6 months for certain ship owners who have signed the protocol of acceptance

To consider and evaluate the possibility of a rebate for raw materials for only the high margin vessels



# Vessel Construction Schedule



**Note: This does not include order book of the newly acquired Changbo shipyard**





Section 4  
Outlook  
Future Plans



Yangzijiang Shipbuilding (Holdings) Ltd.



# Outlook



## Industry Concerns

### More optimism towards offshore

- More orders seen flowing in offshore
- Commercial shipping/shipbuilding side relatively weaker with relatively fewer orders and at lower margins

### Oversupply concerns

- Particularly in containerships and dry bulk vessels side
- Few new orders and at lower margins

### Credit tightening

- Ship owners asking for delays/cancellations due to lack of financing
- Also asking for price renegotiations

## Yangzijiang's Strategy

### Sustainable order book till 2012

- No speculative orders in the order book
- Orders from financially stable clients
- Order book was bulked up before the industry downturn started

### High focus on execution of orders

- Costs kept under control and healthy level of cash maintained on balance sheet
- Strict adherence to the delivery schedule

### Diversification of business

- Ship demolition and repair
- M&A in offshore side, more yards



# Diversifying: Ship Breaking

Invested in two companies



## Jiangsu Xinfu Shipbuilding

- JNYS with other strategic partners entered into an agreement to acquire Jiangsu Xinfu Shipbuilding Co., Ltd. (JXSCO)
- Total registered paid-up capital of USD45 million
- JNYS to have 20% stake for an investment of USD9 million
- JXSCO owns a shipyard that is currently under construction and will eventually relate to the main business of ship breaking with ship repairing as a supplemental business
- Construction is expected to be completed in 2H2010 and operations will commence in stages

## Jiangsu Huayuan

- JNYS with strategic partners entered into an agreement to incorporate a new company, Jiangsu Huayuan Metal Processing Co., Ltd. (JHMPCO)
- Total registered paid-up capital of RMB300 million
- JNYS to have 20% stake for an investment of RMB60 million
- JHMPCO's main business related to scrap steel processing and then to environmental-friendly ship breaking business
- Construction is expected to be completed in 1H2010 and operations will commence in stages





# Diversifying: Financing side

Invested in two companies in June 2010



## Jiangsu Huagong: VC

- JNYS with other strategic partners (including Yangzhou City Mangshan District Government) entered into an agreement to subscribe for 20% equity interest in the capital of Jiangsu Huagong Venture Capital Co. Ltd. (JHVCCO) for RMB60 million
- JHVCCO's total registered paid-up capital of RMB300 million
- JHVCCO is a venture capital investment fund that will aim to generate capital gain from providing seed capital in Yangzhou city
- Expected to enhance the management's expertise in cash redeployment and also participate in community growth and development in the region

## Jiangsu Runyuan: Microfinance

- JNYS subscribed for 51% of the equity interest in the capital of Jiangsu Runyuan Rural Microfinance Co. Ltd. (Runyuan)
- Total registered authorised share capital of RMB300 million
- Runyuan is a licensed company to provide microcredit to enterprise and individual
- Investment in Runyuan is part of the Group's assets management activities





# Expansion: New Yard Added

Acquired Changbo shipyard in June 2010



- JYS acquired 51% equity interest in the capital of Jiangsu Changbo Shipyard Co., Ltd (JCSC or Changbo) for total investment of RMB156.1 million
- JCSC owns shipbuilding facilities with a production area of 286,471 square meters and has a 926 meters deep water coast line with production capacity of 400,000 DWT and can be an alternative option to construct small capacity vessels that are currently build in JYS
- Any losses that Changbo suffers should not negatively affect Yangzijiang as its purchase agreement includes clauses protecting its investment in Changbo
- Changbo has an outstanding order book of USD338 million comprising of 20 vessels due to be delivered between middle half of 2010 and mid of 2012
- Through the process of restructuring, management integration and upgrading of production facilities, Changbo will be integrated in the Group, transformed into Group's new shipyard to deliver 12 vessels a year, an increase of 20% to the Group's capacity



# Alternative Listing: TDR

Embarked towards a TDR listing



## TDR Progress So Far

- **24 May 2010:** Announcement of intention to offer and list Taiwan Depository Receipts (TDR) for up to 120 TDR shares, which comprises of 100 million new shares and 20 million vendor shares
- **24 June 2010:** Submission of application for admission to trading on the Taiwan Stock Exchange (TSE) of TDR
- **19 July 2010:** Receipt of approvals from both TSE and Taiwan Central Bank, pending approvals from Taiwan Supervisory Commission, Executive Yuan and SGX-ST
- **28 July 2010:** Receipt of final approval from the Financial Supervisory Commission of Taiwan, Executive Yuan

## Rationale for TDR

- Alternative listing platform to broaden and diversify its shareholder base
- May help to induce better valuation & liquidity
- Boost Yangzijiang's war-chest to pursue potential earning-accretive M&A, strategic investments and strengthen its working capital position
- With the signing of Economic Cooperation Framework Agreement (ECFA), the TDR listing would elevate the Group's profile in Taiwan to strengthen its business connections there and over time would also benefit from the closer cross-strait business collaborations between Taiwan and the mainland



# TDR: Well Received in Taiwan

Good level of interest



Market sources said it is worth watching if Yangzijiang's issuance of TDRs will trigger a rush of Chinese companies seeking TDR offering and listing on the Taiwan stock exchange.



這是首檔紅/龍籌股確定來台發行TDR，且市值規模最大者，也是證交所推動台股市場國際化的另一指標。



“僅次於康師傅（910322），歷年來募資規模第二大TDR案。”

“揚子江為新加坡陸企股之首，在全球造船業深具競爭優勢，且ECFA簽訂在即，揚子江搶搭此一開放列車申請來台發行TDR，預期以揚子江優異穩健的獲利能力，台掛牌熱潮。”

[http://focustaiwan.tw/ShowNews/WebNews\\_Detail.aspx?ID=201006240039&Type=aECO](http://focustaiwan.tw/ShowNews/WebNews_Detail.aspx?ID=201006240039&Type=aECO)

<http://news.chinatimes.com/CMoney/News/News-Page-content/0,4993,11050802+122010062500388,00.html>

<http://money.chinatimes.com/news/news-content.aspx?id=20100729000962&cid=1205>

<http://news.chinatimes.com/.../0,4993,11050802+112010062500381,00.html>

## Some Facts

- Yangzijiang is the largest S-Chip in terms of market capitalization (is about S\$5.4 billion as at 3 August 2010)
- Yangzijiang is also the 1<sup>st</sup> S-Chip to receive approval for a TDR listing
- As per China Times (25 June 2010), Yangzijiang is the 2<sup>nd</sup> largest TDR listing in terms of scale



Yangzijiang Shipbuilding (Holdings) Ltd.

# Peer Comparison



NAME	MKT CAP (S\$/mln)	P/E	NET MARGIN (%)	ROE (%)
<i>YANGZIJIANG SHIPBUILDING</i>	<i>5,224.5</i>	<i>10.92</i>	<i>21.56</i>	<i>43.10</i>
<b>SINGAPORE</b>				
SEMBCORP MARINE LTD	8,157.0	10.57	12.23	43.73
KEPPEL CORP LTD	14,421.7	11.32	13.27	30.72
COSCO CORP SINGAPORE LTD	3,515.6	25.08	3.80	9.88
<b>AVERAGE</b>		<b>15.66</b>	<b>9.77</b>	<b>28.11</b>
<b>CHINA</b>				
GUANGZHOU SHIPYARD INTL CO-H	1,629.5	10.49	7.86	17.41
GUANGZHOU SHIPYARD INTL CO-A	1,629.5	18.33	7.86	17.41
CHINA CSSC HOLDINGS LTD-A	7,739.0	15.20	9.93	19.28
<b>AVERAGE</b>		<b>14.67</b>	<b>8.55</b>	<b>18.03</b>
<b>KOREA</b>				
DAEWOO SHIPBUILDING & MARINE	4,811.8	7.12	4.64	21.69
HYUNDAI MIPO DOCKYARD	3,872.4	8.56	10.20	15.53
HANJIN HEAVY INDUS & CONST	1,696.7	28.27	1.61	2.48
SAMSUNG HEAVY INDUSTRIES	6,978.8	8.42	5.12	25.94
STX OFFSHORE & SHIPBUILDING	1,127.9	-	-3.71	-10.63
HYUNDAI HEAVY INDUSTRIES	25,344.8	8.08	10.15	27.87
<b>AVERAGE</b>		<b>12.09</b>	<b>4.67</b>	<b>13.81</b>

Source: Bloomberg (10 Aug 2010)



Yangzijiang Shipbuilding (Holdings) Ltd.



# Investment Merits

Why Yangzijiang??

## Good earnings growth

- CAGR of 71% in PATMI for FY04 - FY09
- 2Q2010 PATMI of RMB800.5m, up 32% yoy

## Strong order book

- 124 vessels worth USD5.23b going till 2012 (order book as at 30 June 2010)
- Does not expect any order cancellation

## Diversifying revenue streams

- Possible M&A (just added Changbo yard)
- Ship breaking / repair and also looking towards offshore industry

## Strong focus on execution of orders

- Low slip-up/conversion costs as mass production done
- Timely vessel delivery schedule
- Experienced management

## Healthy balance sheet

- Good level of cash, M&A feasibility in case any opportunity
- Maintains net cash position gearing wise

## Dividends paid

- Maintains good payout ratio
- Involves in share buy backs

