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Industry View
Cautious

China Shipbuilding Monthly

Bearish Outlook Unchanged Despite Near-term Positives

Resume publishing China Shipbuilding Monthly:

We resume publishing our monthly tracker that will update investors on key performance indicators such as latest new shipbuilding price, contracting, delivery activities, and order backlog status. We view September 2008 as a watershed for the shipbuilding industry, with Lehman Brothers' bankruptcy filing triggering a domino effect and completely reversing the industry cycle. We continue to hold a 2-year Cautious view, although we agree the strong earning growth potential, attractive dividend, and government rescue plan might offer short-term trading opportunities.

New order growth shock since Sep 2008: We note that global shipbuilding new orders stood at only 3.7 mn DWT in Oct, 0.8 mn DWT in Nov, and 0.2 mn DWT in Dec versus 16 mn DWT per month from Jan. to Sep. 2008. A comparison of monthly average new order trends since 1996 suggests to us that strong order flow (from Jan 2003 to Sep 2008) was mostly supported by the global liquidity bubble. Now that the bubble has burst, the shipbuilding cycle looks all but certain to enter a cyclical downturn that could last for more than 3 years.

Steel price correction surpasses drop in new building price:

Since Aug 2008, price of steel plate has dropped more than 30%, much faster than new-shipbuilding price correction of 15% for bulk carrier, 11% for containership, and 9% for tanker. In light of such cost and price changes, we believe shipyards are highly likely to deliver strong earnings growth in 2009.

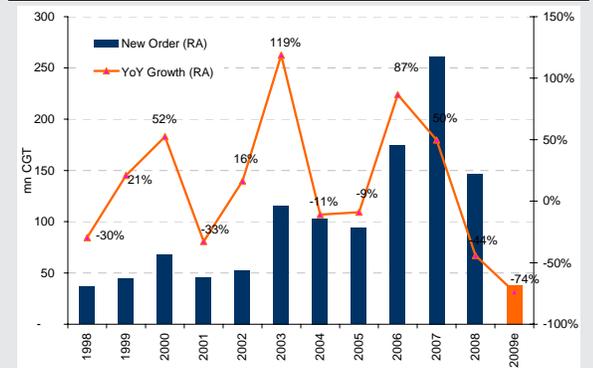
Revitalization plan to be released soon: Chinese government is likely to release the revitalization plan for shipbuilding industry within the following month. Possible favorable measures include preferential tax treatment, loan guarantee, financial subsidy. The government also intends to boost domestic demand to offset significant order slowdown from overseas market.

Order Growth Shock Since Sep 2008



Source: Company Data, Clarkson, Morgan Stanley Research

Looking For Further Decline in 2009e



E = Morgan Stanley Research estimate

Source: Company Data, Clarkson, Morgan Stanley Research

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A Three-Layered Approach to China Shipbuilding Analysis

Our Three-Layered Approach

We highlight nine indicators in our three-layered approach to our analysis of China's shipbuilding industry. Considering the extent and frequency of changes in these indicators, we recommend that investors track them regularly to gauge industry sentiment.

Layer one: We put new shipbuilding prices, orders, the Baltic Dry Index (BDI), and time charters, on the first layer. We believe prices and orders are the most sensitive factors for shipbuilders, as they lock up the companies' top lines. The BDI, for bulk carriers and tankers, and time charters for containerships, reflect the latest trends in shipping freight rates, which indicate shipbuilding demand prospects.

Layer two: We put order-book years, delivery schedules, and market share changes on the second layer. We consider these medium-term industry indicators. Order-book years can be used to assess capacity versus demand, while delivery schedules can point to likely accelerations or decelerations in

fleet growth. Market share changes can provide a guide to whether China is on track to pass Korea as the global leader.

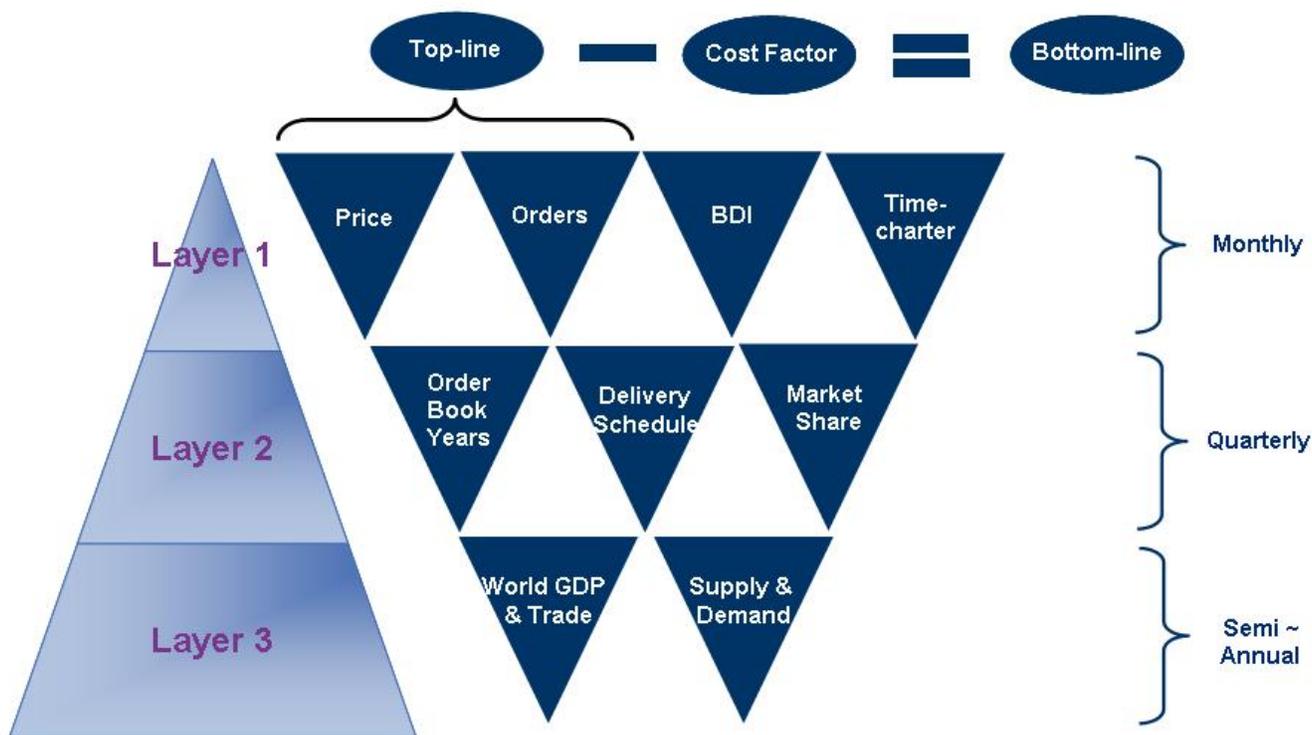
Layer three: This includes global GDP, seaborne trade, and demand and supply analysis. We covered these factors in our initiation report of January 16, 2009, *China Shipbuilding: Depth of order cancellation not priced in, resume coverage with cautious view*.

How to Read the China Shipbuilding Monthly Log

The *New Shipbuilding Prices* section includes price changes by different vessel type and size, while the *Orders, Deliveries, and Backlogs* section shows investors, at a glance, the latest volumes of new orders, deliveries, and backlogs.

Under *Charting China Shipbuilding*, our sector takeaways are summarized on page 6. Charts on pages 7 to 14 present updates of some key indicators in the first and second layers of our analysis.

Morgan Stanley China Shipbuilding – Three-Layered Analysis Approach



Source: Morgan Stanley Research

New Shipbuilding Prices

Exhibit 1

New Shipbuilding Prices by Segment

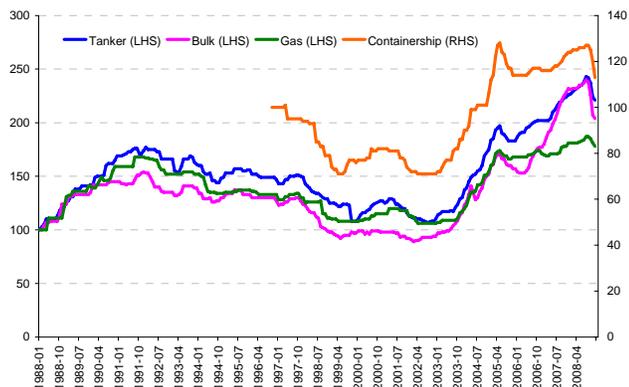
New Shipbuilding Price Chg.	YoY Chg								MoM Chg				
	2001	2002	2003	2004	2005	2006	2007	2008	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
VLCC	-8%	-9%	21%	43%	9%	8%	13%	3%	1%	0%	-1%	-5%	-1%
Suezmax Tanker	-11%	-6%	18%	38%	0%	13%	12%	1%	1%	1%	-3%	-5%	-2%
Aframax Tanker	-13%	-3%	19%	42%	-1%	12%	11%	3%	2%	0%	-2%	-5%	-3%
Panamx Tanker	-11%	-2%	20%	28%	4%	17%	9%	-3%	2%	-1%	0%	-6%	-2%
Handysize Tanker	-11%	3%	17%	27%	8%	9%	12%	-10%	0%	-2%	-2%	-7%	-1%
Capesize Bulk	-11%	1%	32%	33%	-8%	15%	43%	-9%	1%	-3%	-4%	-4%	-1%
Panamax Bulk	-9%	5%	26%	33%	0%	11%	38%	-15%	0%	-2%	-7%	-6%	-1%
Handymax Bulk	-10%	3%	26%	25%	2%	20%	32%	-13%	0%	-1%	-2%	-9%	-2%
Container -1000 teu	-14%	0%	19%	22%	2%	-4%	25%	-9%	0%	0%	-2%	-4%	-4%
Container -2000 teu	-11%	-4%	13%	21%	8%	4%	6%	-7%	2%	-2%	-2%	-4%	-5%
Container -3500 teu	-13%	-8%	29%	25%	-1%	9%	11%	-5%	0%	0%	-3%	-5%	-3%
Container -6200 teu	n.a.	-17%	18%	28%	-2%	13%	5%	-6%	0%	-1%	-2%	-3%	-2%

New Shipbuilding Price													
Unit: USD mn	2001	2002	2003	2004	2005	2006	2007	2008	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
VLCC	70	64	77	110	120	129	146	150	162	162	160	152	150
Suezmax Tanker	47	44	52	71	71	81	90	91	100	100	97	93	91
Aframax Tanker	36	35	42	59	59	66	73	75	83	83	81	77	75
Panamx Tanker	32	31	38	48	50	59	64	62	68	67	67	63	62
Handysize Tanker	26	27	32	40	43	47	53	48	54	53	52	48	48
Capesize Bulk	36	36	48	64	59	68	97	88	99	96	93	89	88
Panamax Bulk	21	22	27	36	36	40	55	47	55	54	50	47	47
Handymax Bulk	19	19	24	30	31	37	48	42	49	48	47	43	42
Container -1000 teu	16	16	19	23	23	22	28	25	28	28	27	26	25
Container -2000 teu	28	27	31	37	40	42	44	41	47	46	45	43	41
Container -3500 teu	36	33	43	53	53	57	63	60	67	67	65	62	60
Container -6200 teu	72	60	71	91	89	101	107	100	108	107	105	102	100

Source: Clarkson, Morgan Stanley Research

Exhibit 2

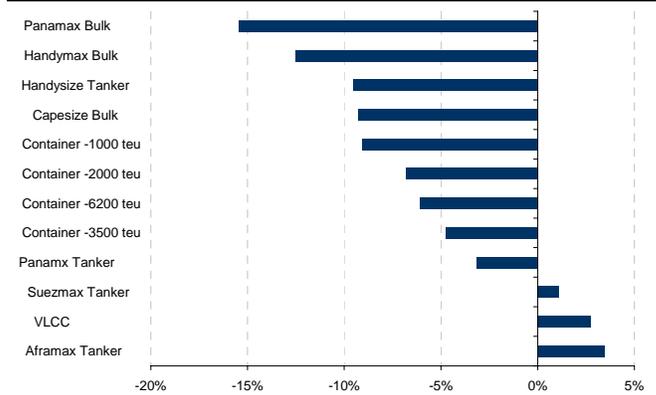
New Shipbuilding Price Index



Source: Clarkson, Morgan Stanley Research

Exhibit 3

2008 YTD Price Change by Segment



Source: Clarkson, Morgan Stanley Research

January 22, 2009

China Shipbuilding Monthly

Orders, Deliveries, and Backlogs

Exhibit 4

Dec 2008: Orders, Deliveries and Backlogs by Country

Country	New Order					Delivery					Order Backlog		
	Dec	MoM	YoY	YTD	YoY	Dec	MoM	YoY	YTD	YoY	YTD	MoM	YoY
China													
- Tanker	0.0	n.m.	-94%	10.4	-17%	0.9	122%	29%	7.4	12%	49.7	-2%	6%
- Bulker	-	n.m.	n.m.	40.2	-52%	1.1	70%	26%	7.3	27%	137.7	-1%	31%
- Containership	-	n.m.	n.m.	264.0	-47%	12.8	-40%	-20%	323.7	61%	1,170.5	-1%	-5%
- Others	0.0	n.m.	-95%	2.0	-61%	0.1	-15%	-50%	1.4	8%	9.7	0%	6%
Korea													
- Tanker	0.1	-74%	-90%	32.1	23%	0.9	-45%	48%	17.8	20%	90.8	-1%	19%
- Bulker	-	n.m.	n.m.	20.3	-47%	0.2	-6%	41%	0.7	-44%	61.2	0%	47%
- Containership	-	n.m.	n.m.	658.0	-70%	40.8	-9%	-17%	720.3	0%	3,811.5	-1%	-2%
- Others	-	n.m.	n.m.	3.4	-53%	0.7	103%	179%	5.9	66%	17.8	-4%	-12%
Japan													
- Tanker	-	n.m.	n.m.	1.9	-62%	0.8	-38%	94%	9.0	15%	26.1	-3%	-21%
- Bulker	-	n.m.	n.m.	15.2	-43%	0.9	-4%	-26%	13.9	-14%	73.4	-1%	2%
- Containership	-	n.m.	n.m.	7.1	-94%	-	n.m.	n.m.	171.5	5%	311.6	0%	-35%
- Others	0.0	-64%	-97%	0.7	-45%	0.3	126%	11%	2.1	49%	4.1	-7%	-24%

Note: '000 TEU for containership, mn dwt for tankers, bulkers and others
Source: Clarkson, Morgan Stanley Research

Exhibit 5

Dec 2008: Orders, Deliveries, and Backlogs by Company

Company	New Order					Delivery					Order Backlog		
	Dec	MoM	YoY	YTD	YoY	Dec	MoM	YoY	YTD	YoY	YTD	MoM	YoY
Yangzijiang*	-	n.m.	n.m.	0.68	-83%	0.01	-90%	-86%	0.62	105%	6.6	0%	1%
Guangzhou Shipyard*	-	n.m.	n.m.	0.60	-48%	0.09	111%	n.m.	0.74	37%	2.7	-3%	-5%
Waigaoqiao*	-	n.m.	n.m.	3.85	-31%	0.39	117%	2%	3.61	16%	15.0	-3%	2%
Jiangnan Changxing*	-	n.m.	n.m.	1.84	-75%	0.18	n.m.	n.m.	0.47	n.m.	15.1	-1%	10%
Guangzhou Longxue	-	n.m.	n.m.	0.16	-94%	-	n.m.	n.m.	-	n.m.	4.2	0%	4%
JES International*	-	n.m.	n.m.	1.40	62%	0.08	n.m.	n.m.	0.23	192%	3.1	-3%	60%
COSCO Zhoushan	-	n.m.	n.m.	0.06	-97%	-	n.m.	n.m.	-	n.m.	2.2	0%	3%
COSCO Guangdong	-	n.m.	n.m.	0.51	-46%	-	n.m.	n.m.	-	n.m.	1.5	0%	54%
COSCO Dalian	-	n.m.	n.m.	1.59	20%	-	n.m.	n.m.	-	n.m.	3.0	0%	110%
New Century	-	n.m.	n.m.	1.39	-41%	0.37	n.m.	66%	1.31	5%	4.9	-7%	2%
New Times	-	n.m.	n.m.	2.38	-48%	0.11	-50%	n.m.	0.56	n.m.	9.2	-1%	25%
Mingde	-	n.m.	n.m.	0.37	-46%	-	n.m.	n.m.	0.03	n.m.	1.2	0%	43%
Yantai Raffles	-	n.m.	n.m.	-	-100%	-	n.m.	n.m.	0.05	-50%	0.1	0%	-30%
Rongsheng	-	n.m.	n.m.	6.06	5%	0.08	n.m.	n.m.	0.38	n.m.	16.6	0%	52%

* represents Listed Shipyards, Unit: mn dwt
Source: Clarkson, Morgan Stanley Research

Valuation Comps Sheet

Exhibit 6

China Shipbuilding: Valuation Comparison Table

Company	Price	Mkt Cap.	EPS Growth (%)			P/E			PB			EV/EBITDA			Div Yd.	
	1/20/2009	USD mn	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E	2008E	
China Shipyards																
Yangzijiang Shipbuilding*	0.5	4,580	91	89	69	38	5	3	8.0	1.8	1.3	28	3	2	6%	
China State Shipbuilding*	45.7	23,437	140	52	46	59	6	5	18.3	1.9	1.6	39	4	3	3%	
Guangzhou Shipyard (A-share)*	16.7	4,592	252	1	25	42	6	7	16.8	1.9	2.0	27	(0)	2	4%	
Guangzhou Shipyard (H-share)*	9.2	4,592	252	1	25	22	3	3	8.0	1.0	1.0	27	(0)	2	8%	
Cosco Corp. (Singapore)	0.8	1,208	64	4	(16)	5	6	7	1.8	1.5	1.3	2	2	2	9%	
			Mean	160	29	30	33	5	5	10.6	1.6	1.4	25	2	6%	
			Median	140	4	25	38	6	5	8.0	1.8	1.3	27	2	6%	
Korean Shipyards																
Hyundai Heavy Industries	193,500	10,699	120	5	18	8	8	7	2.5	2.5	1.9	4	3	3	4%	
Samsung Heavy Industries	26,550	4,460	214	26	29	13	10	8	3.3	2.5	2.0	5	4	3	2%	
Hyundai Mipo Dockyard	150,000	2,183	122	2	(1)	6	6	6	1.0	1.1	1.0	2	2	2	5%	
Daewoo Shipbuilding & Marine Engineering	20,400	2,841	520	(51)	219	11	26	8	2.2	2.1	1.7	3	2	2	2%	
Hanjin Heavy Industry	13,650	293	(60)	399	218	23	5	1	0.7	0.5	0.3	23	8	4	0%	
STX Shipbuilding	14,800	775	265	91	(2)	7	3	3	1.4	1.3	0.9	15	27	13	3%	
			Mean	197	79	80	11	10	5	1.8	1.7	1.3	9	8	4	3%
			Median	168	15	24	10	7	6	1.8	1.7	1.3	5	4	3	2%
Other Shipbuilding Peers																
Mitsui Engineering & Shipbuilding Co. Ltd.	148	1,364	(14)	(32)	24	7	10	9	0.8	0.7	0.6	5	5	5	3%	
Namura Shipbuilding Co. Ltd.	313	168	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3%	
ABG Shipyards Ltd.	86	89	39	23	29	3	2	2	0.4	0.3	0.3	4	2	2	2%	
MAN AG	32	6,007	55	12	(44)	4	4	7	0.9	0.9	0.8	2	2	4	10%	
Todd Shipyards Corp.	14	83	104	n.a.	n.a.	12	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1%	
			Mean	46	1	3	7	5	6	0.7	0.6	0.6	4	3	3	4%
			Median	47	12	24	6	4	7	0.8	0.7	0.6	4	2	4	3%

E = Morgan Stanley Research Estimates for covered stocks marked with *, FactSet consensus for other stocks
Source: Company data, FactSet, Morgan Stanley Research

Cross-checking with P/B, P/E, and EV/Order Backlog

Although residual income or DCF models can capture the intrinsic value of shipbuilding stocks in the long run (*10 years or more*), an analysis through valuation multiples captures medium- and short-term performance better, in our view. For shipbuilding companies, we highlight three multiples – P/B, P/E, and EV/Order Backlog – and recommend investors use these to make comparisons and identify potential outperformers. We believe the P/B multiple is a good valuation benchmark during an industry downturn while P/E and EV/Order Backlog ratios are more appropriate when the industry starts to enjoy a recovery.

Exhibit 7

Valuation Cross-checking

	YZJ	COSCO	GSI (H)	GSI (A)	CSSC	Mean
08E PB	1.8	1.5	1.0	1.9	1.9	1.6
09E PB	1.3	1.3	1.0	2.0	1.6	1.4
08E PE	4.8	5.6	3.3	6.4	5.7	5.1
09E PE	2.8	6.6	3.4	7.0	4.7	4.9
EV / Order Backlog	0.1	0.1	0.2	0.2	0.2	0.2

E = Morgan Stanley Research estimates, FactSet consensus for COSCO
Source: Company data, FactSet, Morgan Stanley Research

Charting China Shipbuilding in 2008: Our Takeaways

Stock Performance Review

With gloomy global economic outlook, shipbuilding stocks had a poor performance in 2008. Chinese shipbuilding stocks slumped 82% followed by Korean and Japanese peers, which dropped by 71% and 66%, respectively. Within China shipbuilding industry, Yangzijiang relatively outperformed on the back of stronger-than-expected earnings growth while Guangzhou Shipyard (H), China State Shipbuilding, and COSCO SP all corrected by 84%.

Steel Plate: Up over 20% in Jan-Aug, Down 30% in 4Q

Steel prices in China rose by over 20% from 6,000/ton on Jan 1, 2008, to 7,400/ton on Aug 8, 2008. After that, steel prices slumped by over 30% to 4,800/ton by the end of Dec 2008. Given shipyards usually have 3-6 months' steel inventory, we expect their margins will face continuous pressure in 4Q08 and 1Q09 with expensive steel being used. Starting from 2Q09, we expect Chinese shipyards to enjoy a strong margin recovery thanks to the large steel price correction.

Our monthly tracker of steel plate production in China finds that: 1) Output growth of steel plate experienced a sharp slow-down in 2008 with YoY growth rate dropping from +27% in Jan to -11% in Nov; 2) From Jan to Nov, steel plate import was nearly flat compared with previous year, while exports dipped 9% YoY; 3) In Nov, steel plate inventory dropped 6% MoM but rose +34% YoY, mainly driven by shipbuilding industry's capacity expansion; and 4) With collapse of steel price since Aug, the steel industry's net margin declined from 7.4% in July to 4.7% in Nov, representing rapid deterioration of industry profitability.

Rmb appreciated 6.3% in 2008, depreciation likely in 2009

In 2008, the Rmb appreciated 6.6% and stood at 6.8230 to the US dollar on Dec 31. Our global currency research team expects this rate to reach 6.95 in 2009 and 6.74 in 2010, implying that appreciation will slow significantly or even give way to depreciation. Either outcome would be positive for the industry. However, as South Korean won is depreciating much faster than Rmb, Korea's relative currency competitiveness is increasing.

China New Orders – Taking 37% Global Market Share

In 2008, China received new orders of 57 mn DWT, implying a 46% YoY slowdown. Given that global new orders have dropped by 38% to 153 mn DWT, China took 37% global

market share in 2008, which is slightly lower than Korea's 45%, but much higher than Japan's 12%.

By segment, China received tanker new orders of 10.4 mn DWT and bulker new orders of 40.1 mn DWT, implying 18% and 52% YoY declines, respectively. New orders for containerships stood at 264,000 TEU, a 47% slowdown compared with 2007.

China Deliveries – Leading global growth in 2008

According to Clarkson, China delivered vessels of over 20 mn DWT, representing a 26% YoY increase, surpassing Korea's 18% YoY growth and Japan's flattish delivery in 2008. By segment, delivery of containerships and bulk carriers increased by 61% and 27%, respectively, while tanker delivery slightly underperformed with growth of 12%.

China Backlog – Decline Started in Oct 2008

Due to the significant new order slowdown and rapid vessel delivery, China's backlog started to decline MoM in Oct 2008. At the end of 2008, China had a total backlog of 211 mn DWT, or 9-10x its delivery volume in 2008.

Global Bulk Carrier Sentiment – BDI Hit Historical Low

- **The BDI collapsed** from its historical height of 11,465 on May 23, 2008, to 663 on Dec 5, refreshing the historical low. It has slightly rebounded since then and stood at 773 on Dec 31, 2008.
- **New shipbuilding prices reached a peak in Aug**, after which they declined by 15% to the end of December. The reverse of supply & demand determines that new-building price will continue its downward trend in 2009.

Global Tanker Sentiment: Relative Outperformer

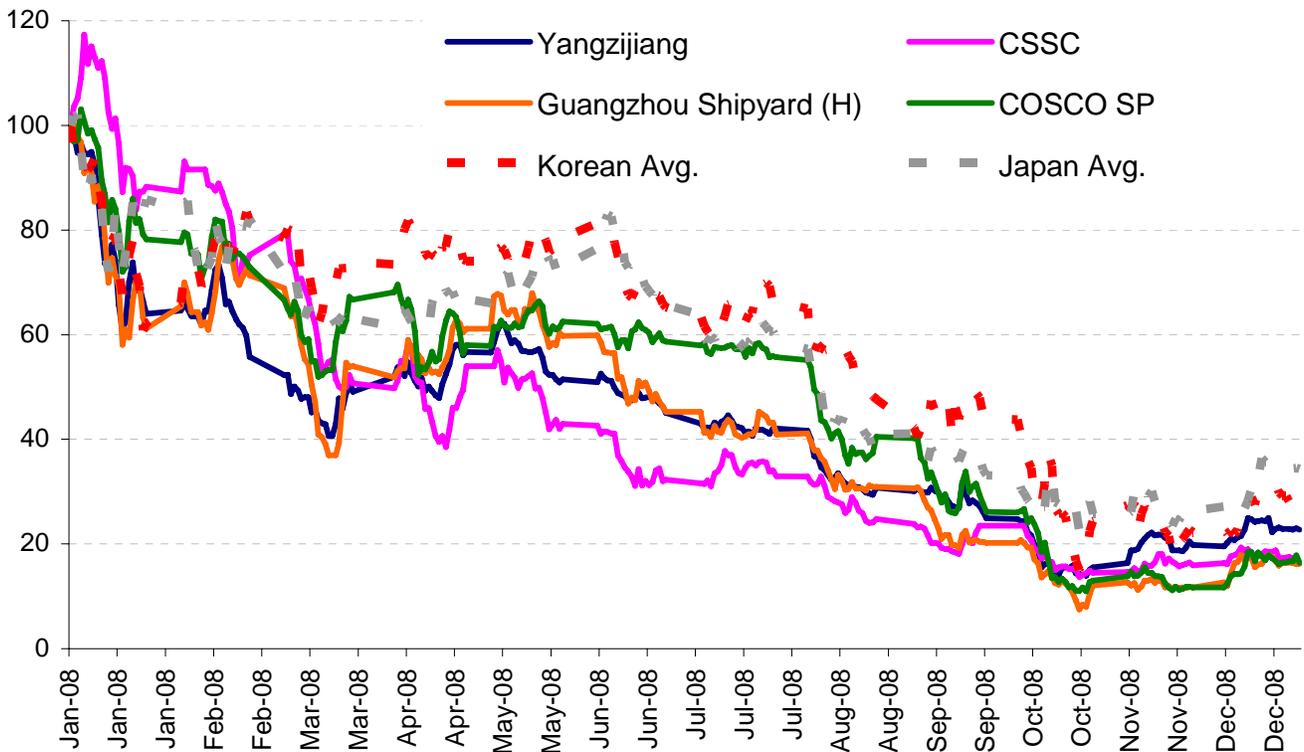
- **Tanker is a relative outperformer in 2008:** Its new-shipbuilding price only corrected 9% from its peak, which is more resilient than bulk carrier. The new order flow also suggests better demand in this market.

Global Containership Sentiment: Victim of US recession

- **US recession cast a shadow on containership demand:** Time charter rate dropped 60% in 2008, hitting historical low in Dec 2008. This indicates that the US recession has significantly cooled down the seaborne trade of containerships. With bearish macro outlook in 2009, demand for containerships is likely to remain weak.

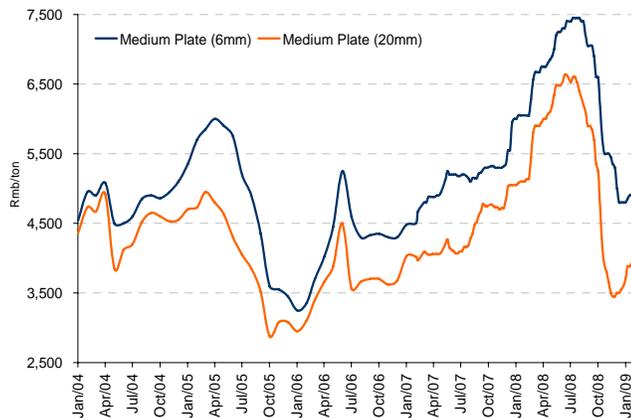
Stock Performance, Steel Prices, and Rmb Appreciation

Exhibit 8
Shipbuilding Stock Performance throughout 2008



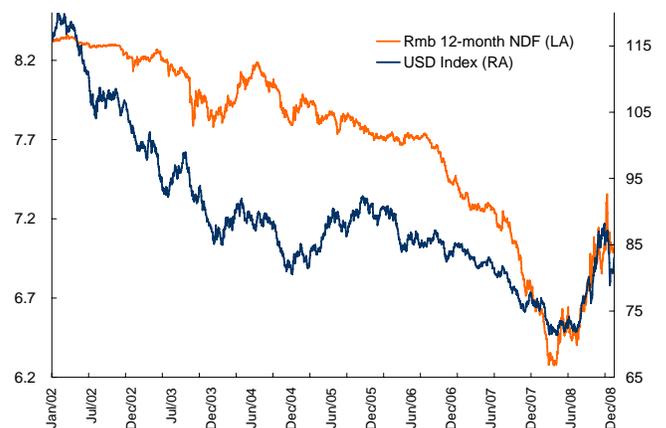
Stock price as of May 9, 2008 = 100. Source: FactSet, Morgan Stanley Research

Exhibit 9
Steel Plate Prices



Source: Company data, Morgan Stanley Research

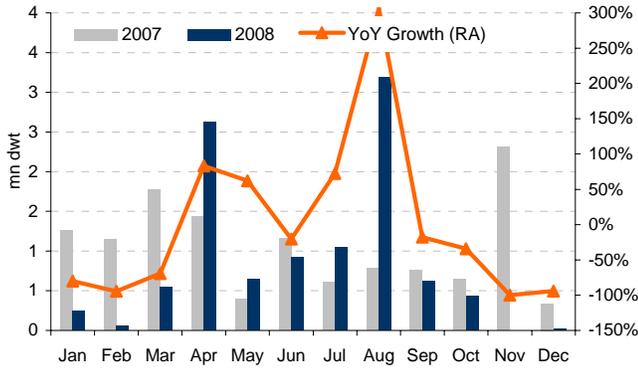
Exhibit 10
USD/Rmb



Source: Bloomberg, Morgan Stanley Research

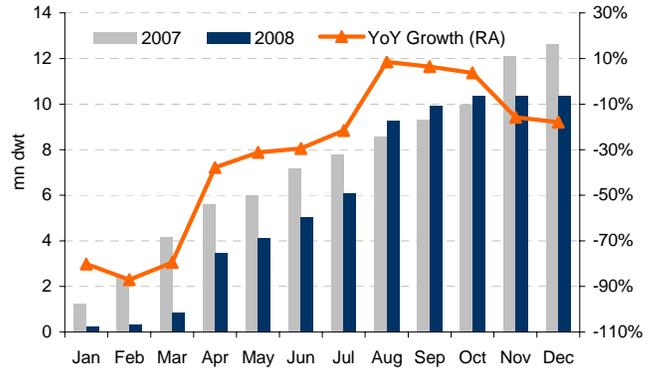
China's New Orders

Exhibit 11
China Tankers: Monthly New Orders



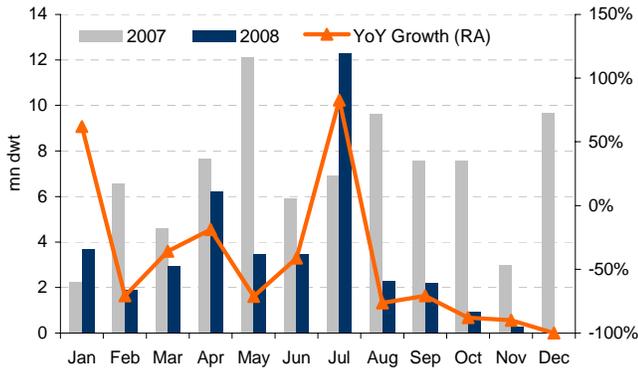
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 14
China Tankers: YTD New Orders



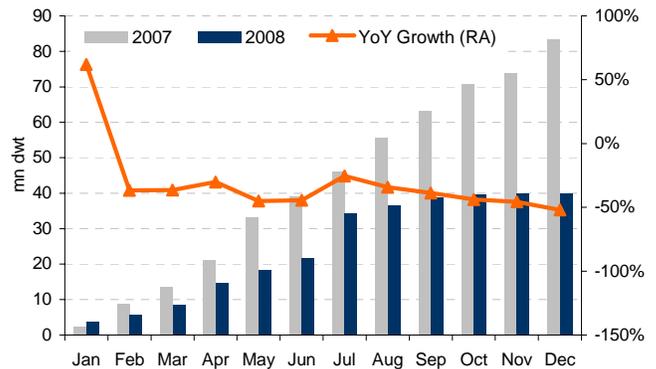
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 12
China Bulkers: Monthly New Orders



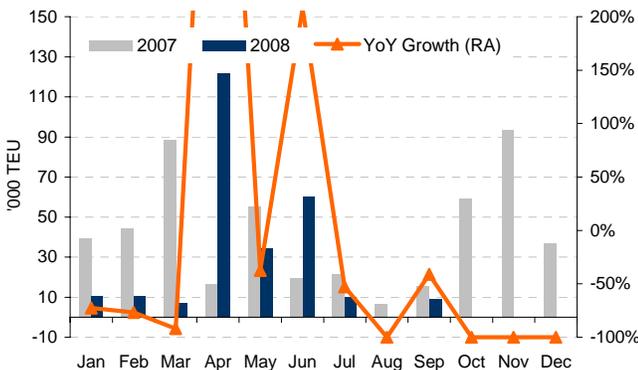
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 15
China Bulkers: YTD New Orders



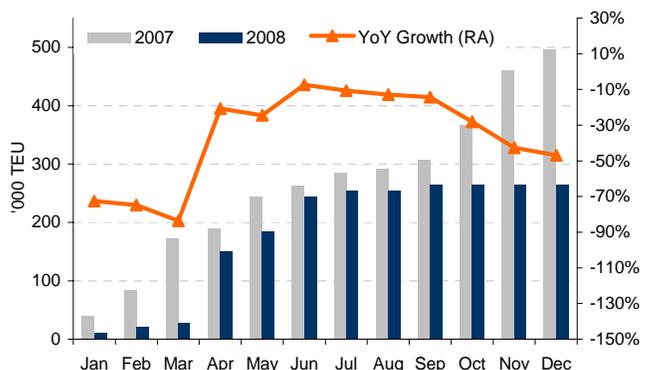
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 13
China Containerships: Monthly New Orders



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 16
China Containerships: YTD New Orders

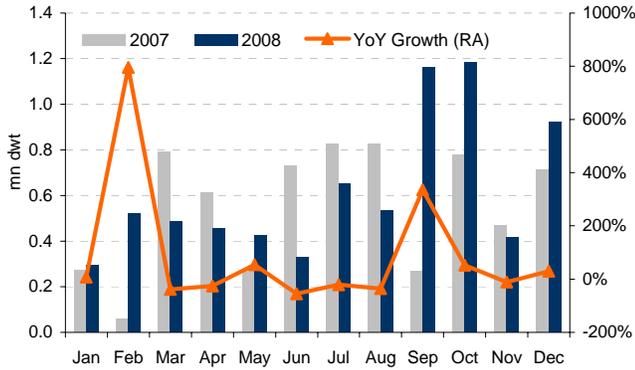


Source: Clarkson, CSERC, Morgan Stanley Research

China's Deliveries

Exhibit 17

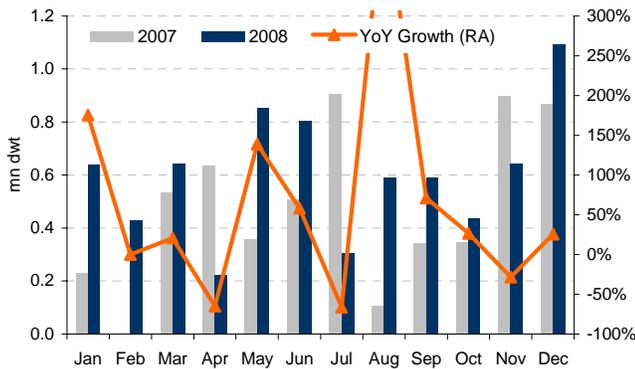
China Tankers: Monthly Deliveries



Source: Clarkson, CSREC, Morgan Stanley Research

Exhibit 18

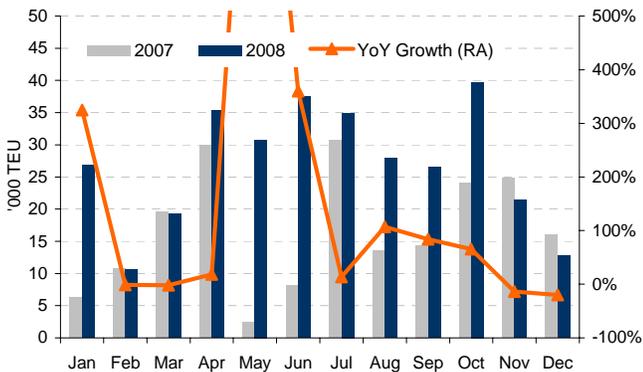
China Bulkers: Monthly Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 19

China Containerships: Monthly Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 20

China Tankers: YTD Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 21

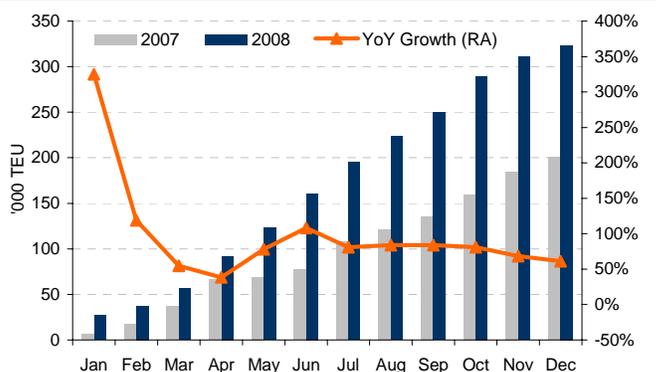
China Bulkers: YTD Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 22

China Containerships: YTD Deliveries

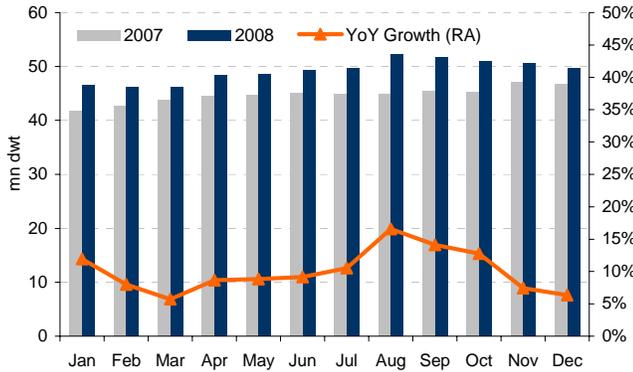


Source: Clarkson, CSERC, Morgan Stanley Research

China's Order Backlog and Market Share Changes

Exhibit 23

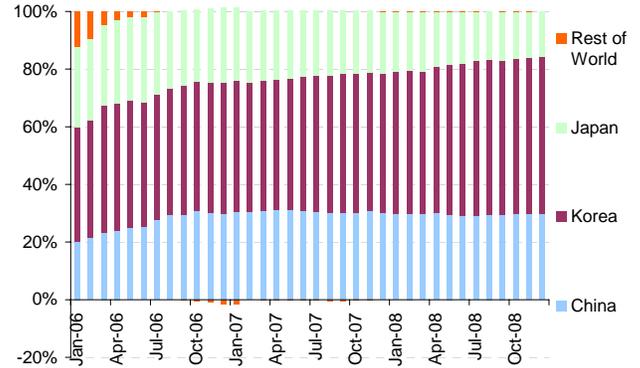
China Tankers: Order Backlog



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 26

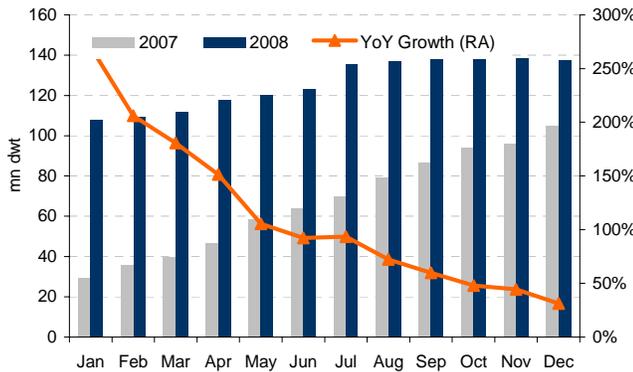
China Tankers: Market Share Changes



By order backlog, Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 24

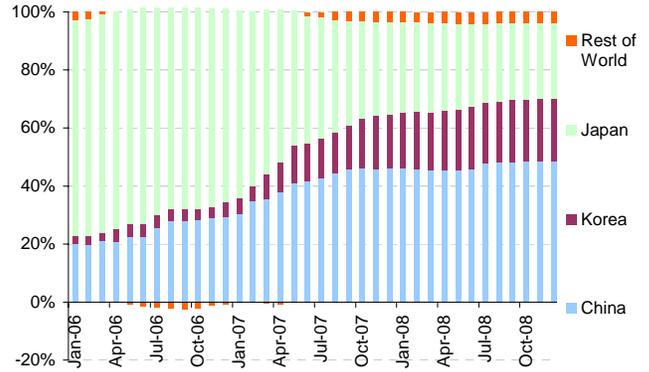
China Bulkers: Order Backlog



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 27

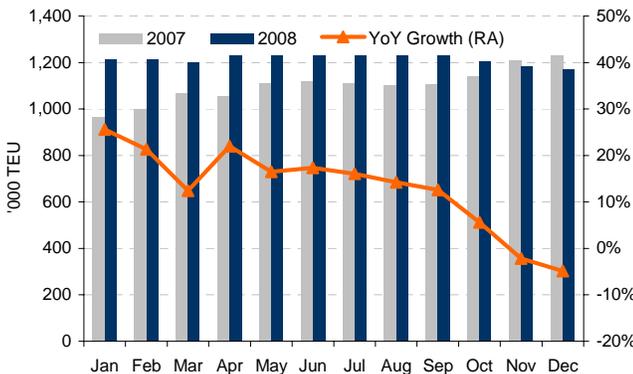
China Bulkers: Market Share Changes



By order backlog, Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 25

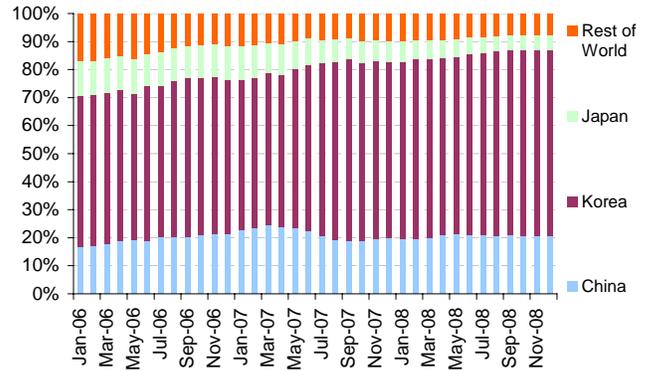
China Containerships: Order Backlog



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 28

China Containerships: Market Share Changes



By order backlog, Source: Clarkson, CSERC, Morgan Stanley Research

Global Industry Sentiment: Bulk Carriers

Exhibit 29
Bulk Carriers: Price Trends



Exhibit 32
Bulk Carriers: Order Book vs. World Fleet

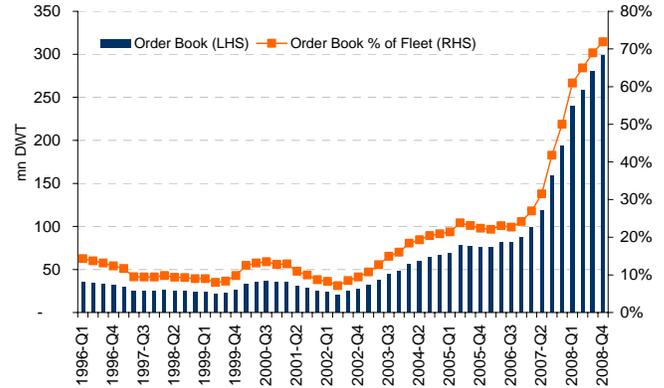


Exhibit 30
Bulk Carriers: New Order Trends

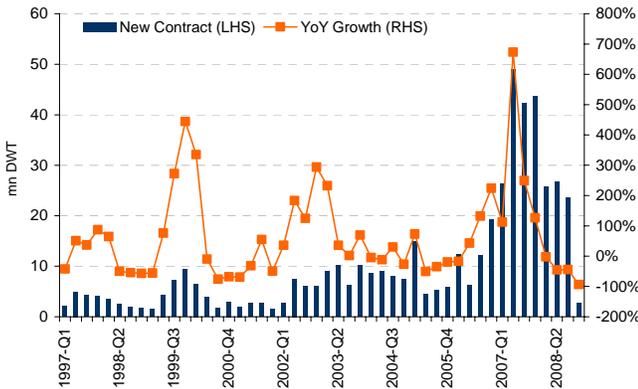


Exhibit 33
Bulk Carriers: BDI vs. BCI

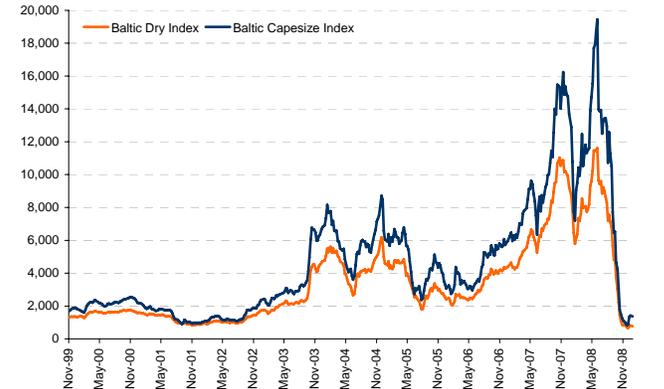


Exhibit 31
Bulk Carriers: Order Book Years

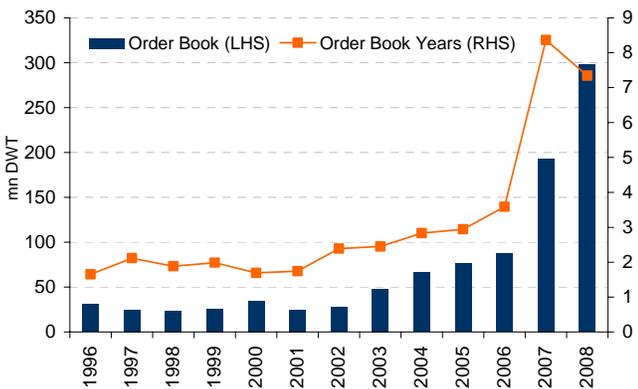
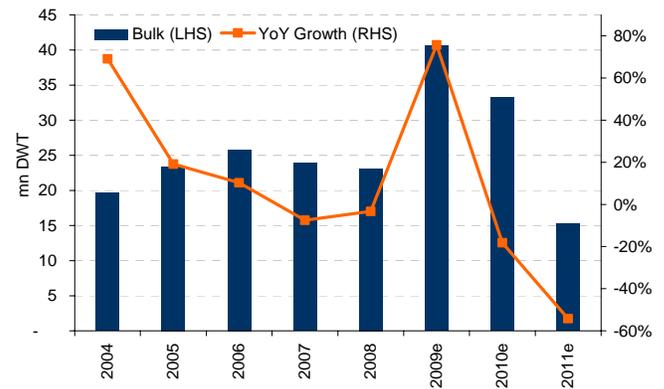


Exhibit 34
Bulk Carriers: Scheduled Deliveries



Source for all charts: Clarkson, Morgan Stanley Research

Global Industry Sentiment: Tankers

Exhibit 35

Tankers: Price Trends



Exhibit 38

Tankers: Order Books vs. World Fleet

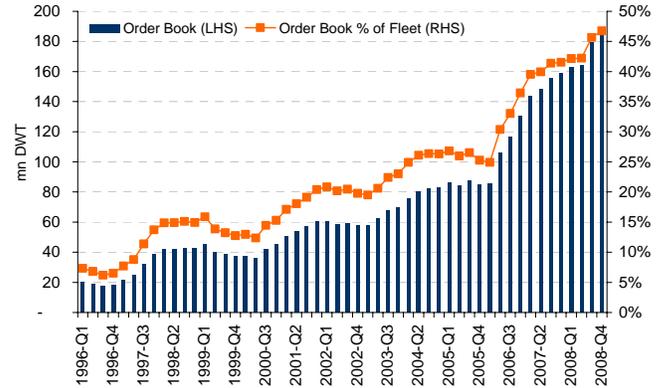


Exhibit 36

Tankers: New Order Trends

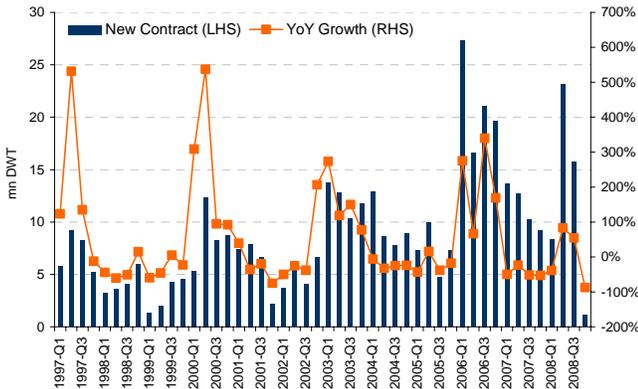


Exhibit 39

Tankers: Baltic Tanker Indexes

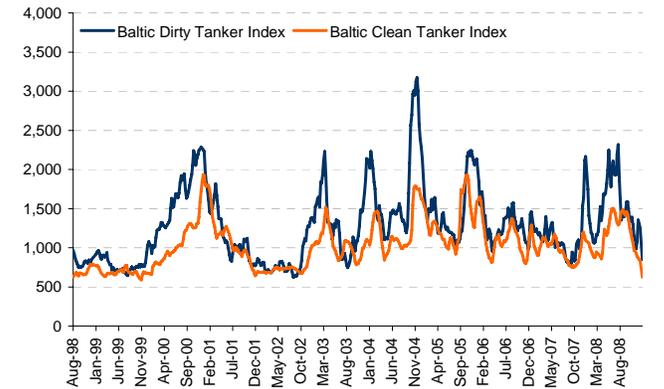


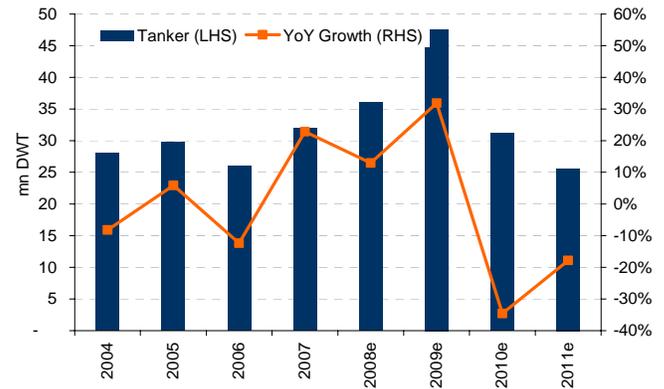
Exhibit 37

Tankers: Order Book Years



Exhibit 40

Tankers: Scheduled Deliveries



Source for all charts: Clarkson, Morgan Stanley Research

Global Industry Sentiment: Containerships

Exhibit 41

Containerships: Price Trends

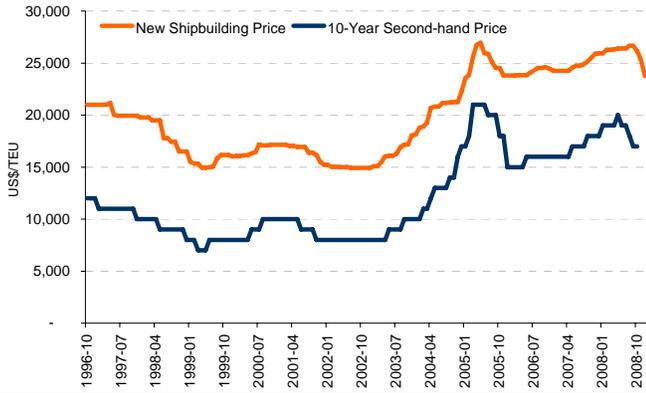


Exhibit 44

Containerships: Order Book vs. World Fleet

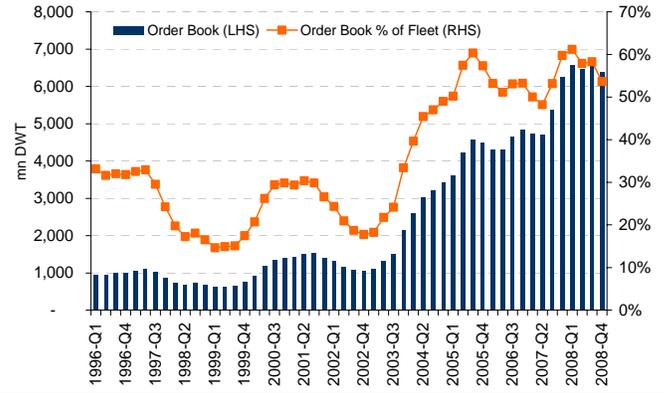


Exhibit 42

Containerships: New Order Trends

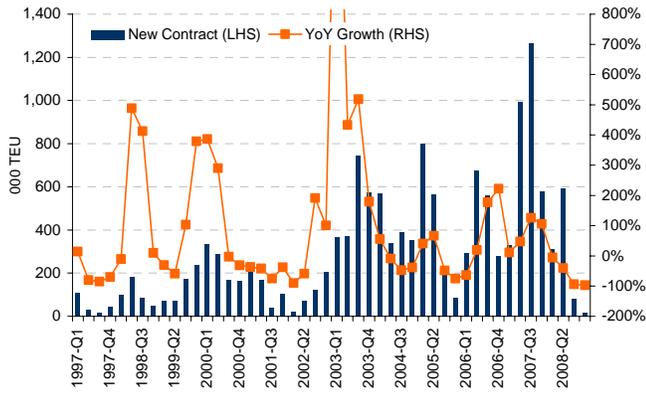


Exhibit 45

Containerships: Time Charters



Exhibit 43

Containerships: Order Book Years

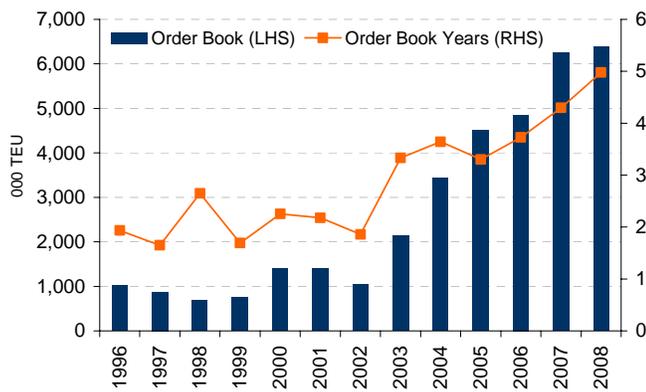
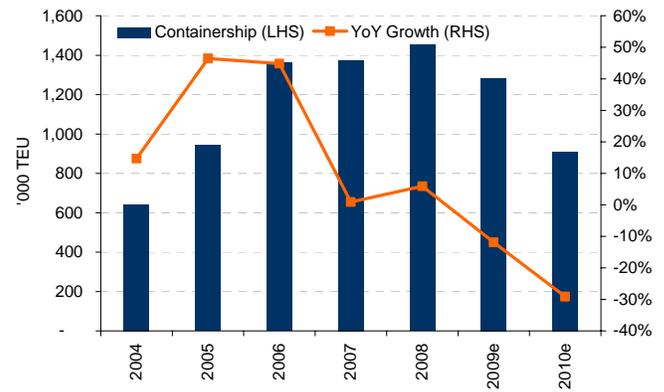


Exhibit 46

Containerships: Scheduled Deliveries



Source: Clarkson, Morgan Stanley Research

China Steel Plate: Output, Trade, Inventory & Profitability

Exhibit 47

China Steel Plate: Monthly Output

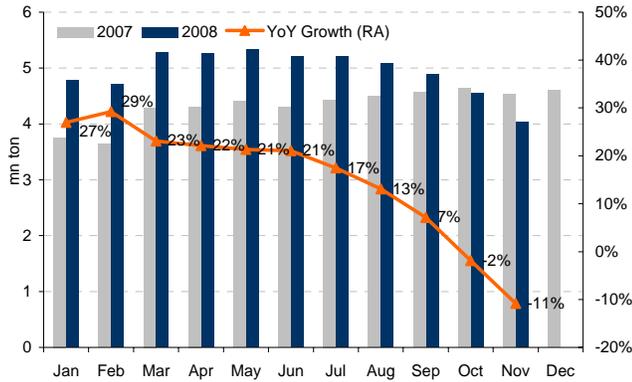


Exhibit 50

China Steel Plate: YTD Output

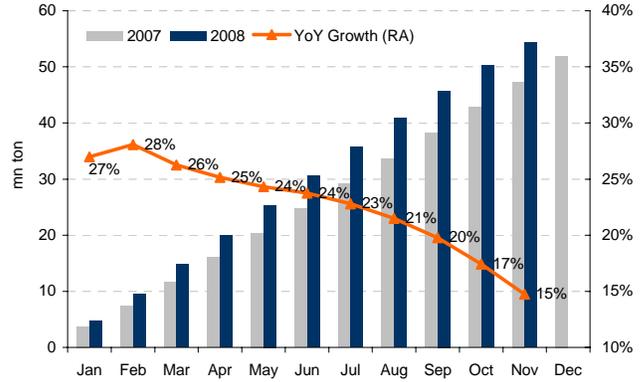


Exhibit 48

China Steel Plate: Monthly Import

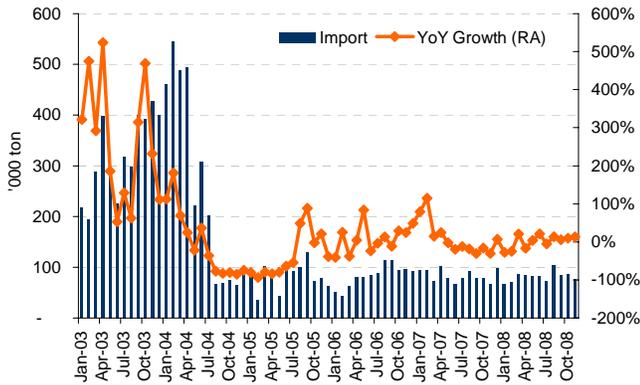


Exhibit 51

China Steel Plate: Monthly Export

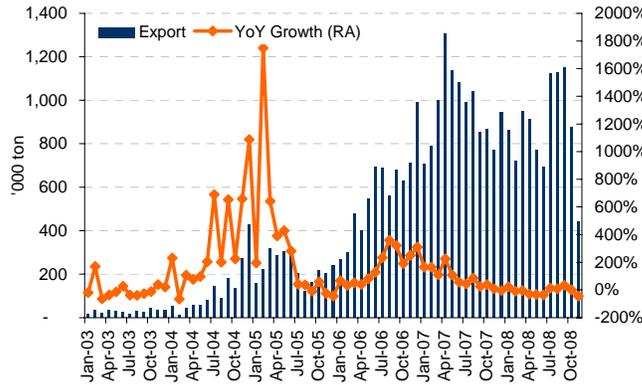


Exhibit 49

China Steel Plate: Monthly Inventory

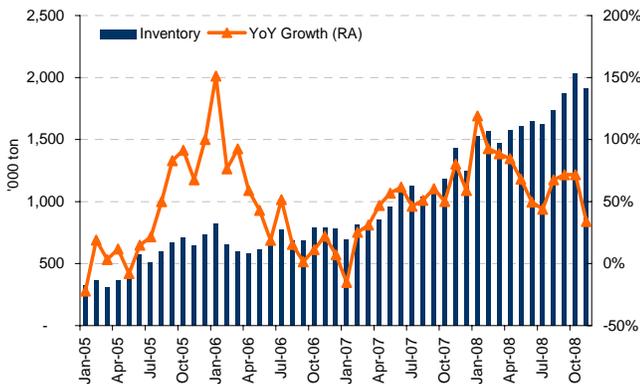
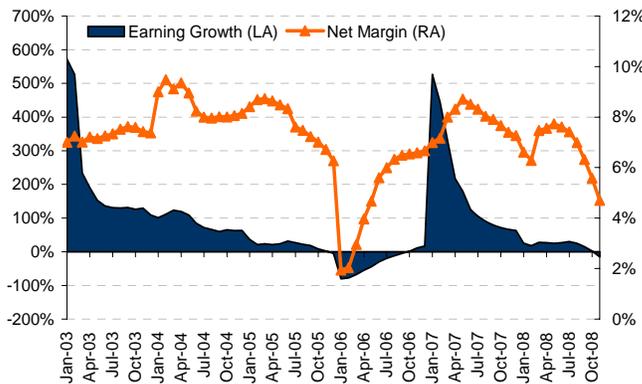


Exhibit 52

China Steel Industry: Growth & Margin Trend



Including extra, heavy, medium heavy plate, Source: CEIC, ISI, Bloomberg, Morgan Stanley Research

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(as of December 31, 2008)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	811	34%	240	40%	30%
Equal-weight/Hold	1060	45%	271	45%	26%
Not-Rated/Hold	33	1.4%	8	1.3%	24.2%
Underweight/Sell	463	20%	87	14%	19%
Total	2,367		606		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

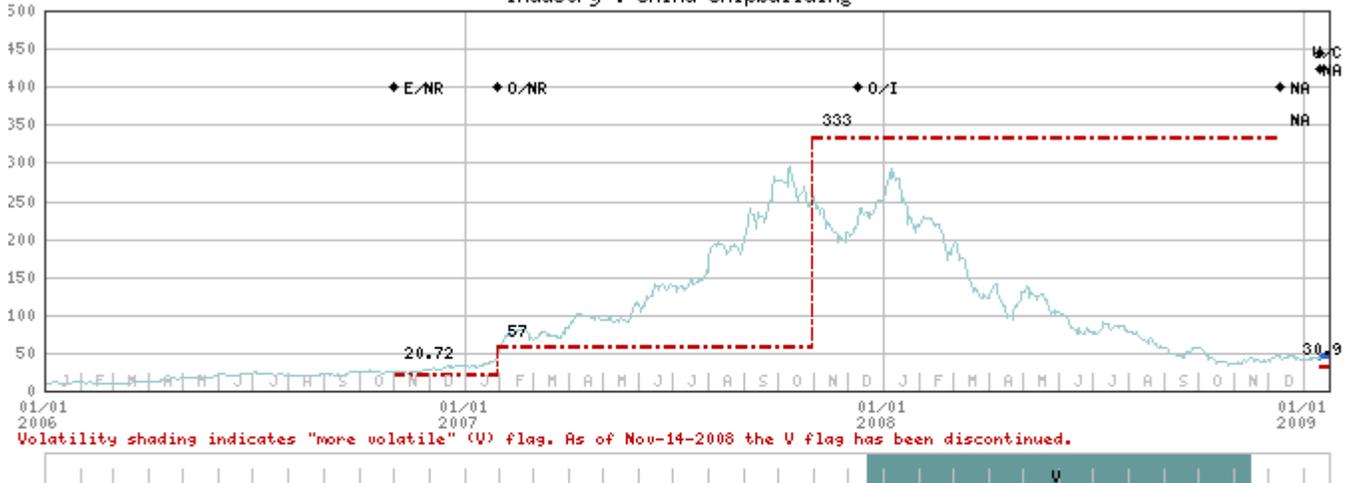
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Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock Price, Price Target and Rating History (See Rating Definitions)

China State Shipbuilding Co. Ltd (600150.SS) - As of 1/21/09 in CNY
Industry : China Shipbuilding



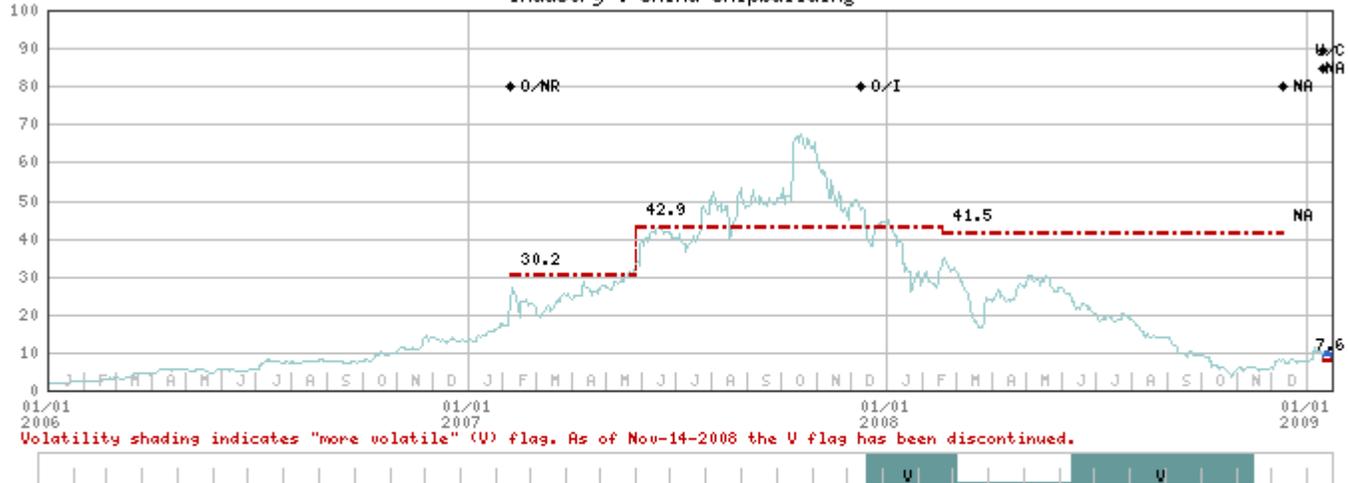
Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 11/1/06 : E/NR; 1/30/07 : O/NR; 12/10/07 : O/I; 12/11/08 : NA; 1/14/09 : NA; 1/15/09 : U/C
Price Target History: 11/1/06 : 20.72; 1/30/07 : 57; 10/31/07 : 333; 12/11/08 : NA; 1/15/09 : 30.9

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (U) No Rating Available (NAU)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

January 22, 2009
China Shipbuilding Monthly

Guangzhou Shipyard Intl. Co., Ltd. (0317.HK) - As of 1/21/09 in HKD
Industry : China Shipbuilding

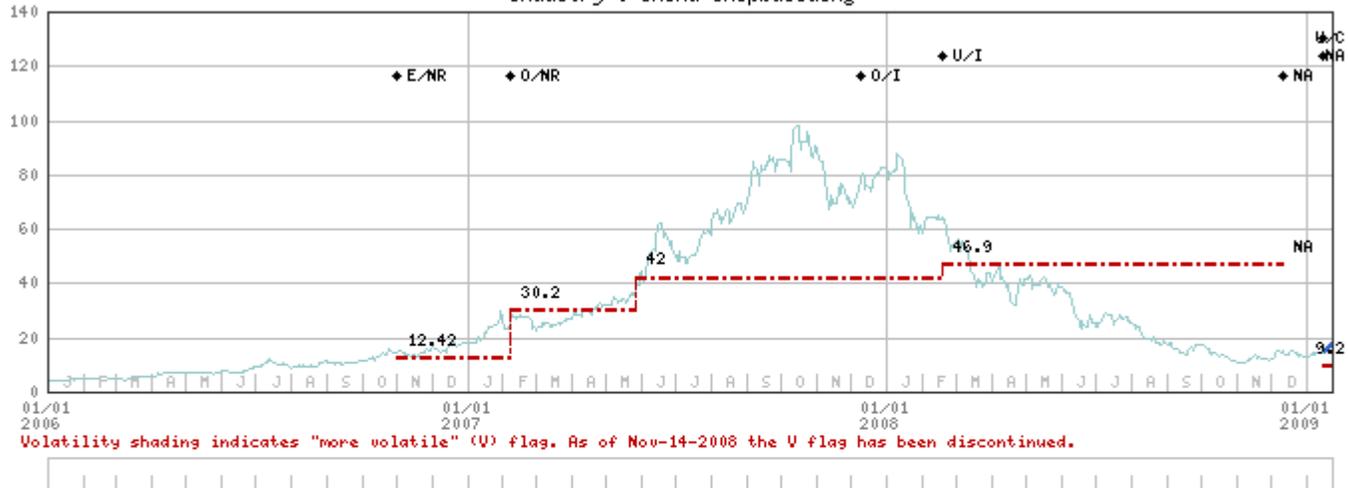


Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 2/7/07 : 0/NR; 12/10/07 : 0/I; 12/11/08 : NA; 1/14/09 : NA; 1/15/09 : U/C
Price Target History: 2/7/07 : 30.2; 5/28/07 : 42.9; 2/19/08 : 41.5; 12/11/08 : NA; 1/15/09 : 7.6

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAU)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Guangzhou Shipyard Intl. Co., Ltd. (600685.SS) - As of 1/21/09 in CNY
Industry : China Shipbuilding



Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 11/1/06 : E/NR; 2/7/07 : 0/NR; 12/10/07 : 0/I; 2/19/08 : U/I; 12/11/08 : NA; 1/14/09 : NA;
1/15/09 : U/C
Price Target History: 11/1/06 : 12.42; 2/7/07 : 30.2; 5/28/07 : 42; 2/19/08 : 46.9; 12/11/08 : NA; 1/15/09 : 9.2

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAU)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Yangzijiang Shipbuilding (Holdings) Ltd. (YAZG.SI) - As of 1/21/09 in SGD
Industry : China Shipbuilding



Stock Rating History: 12/10/07 : NA; 12/12/07 : O/I; 12/11/08 : NA; 1/14/09 : NA; 1/15/09 : U/C
Price Target History: 12/12/07 : 2.48; 2/27/08 : 1.82; 12/11/08 : NA; 1/15/09 : 0.29

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (U) No Rating Available (NAU)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage:China Shipbuilding

Company (Ticker)	Rating (as of)	Price (01/21/2009)
Andy Meng		
China State Shipbuilding Co. Ltd (600150.SS)	U (01/15/2009)	Rmb45.65
Guangzhou Shipyard Intl. Co., Ltd. (0317.HK)	U (01/15/2009)	HK\$8.98
Guangzhou Shipyard Intl. Co., Ltd. (600685.SS)	U (01/15/2009)	Rmb16.7
Yangzijiang Shipbuilding (Holdings) Ltd. (YAZG.SI)	U (01/15/2009)	\$\$.47

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