

Morgan Stanley Asia Limited+

Andy Meng

Andy.Meng@morganstanley.com
+852 2239 7689

Karen Zu

Karen.Zu@morganstanley.com
+86 21 2326 0029

Kate Zhu, CFA

Kate.Zhu@morganstanley.com
+852 2848 6843

January 22, 2009

Industry View
Cautious

China Shipbuilding Monthly

Bearish Outlook Unchanged Despite Near-term Positives

Resume publishing China Shipbuilding Monthly:

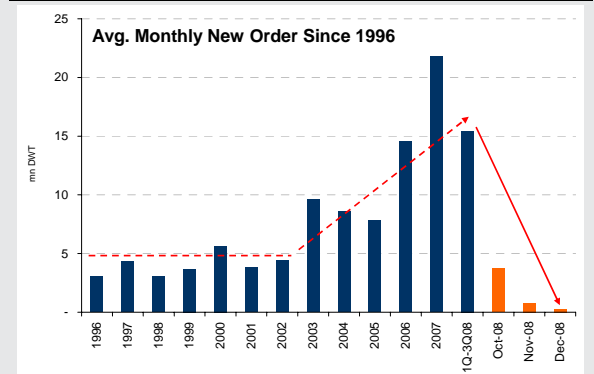
We resume publishing our monthly tracker that will update investors on key performance indicators such as latest new shipbuilding price, contracting, delivery activities, and order backlog status. We view September 2008 as a watershed for the shipbuilding industry, with Lehman Brothers' bankruptcy filing 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.

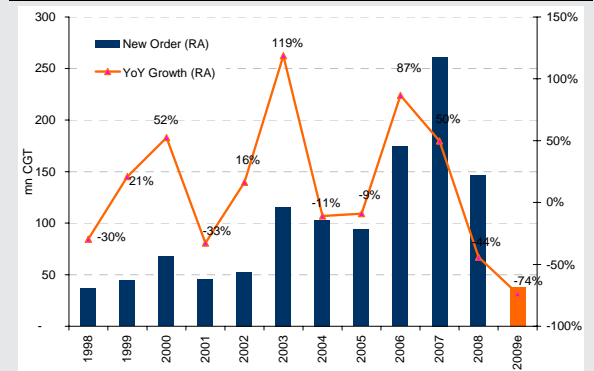
Revitalization plan to be released soon: Chinese government is likely to release the revitalization plan for shipbuilding industry within the following month. Possible favorable measures include preferential tax treatment, loan guarantee, financial subsidy. The government also intends to boost domestic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

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+ = Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to NASD/NYSE restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

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.

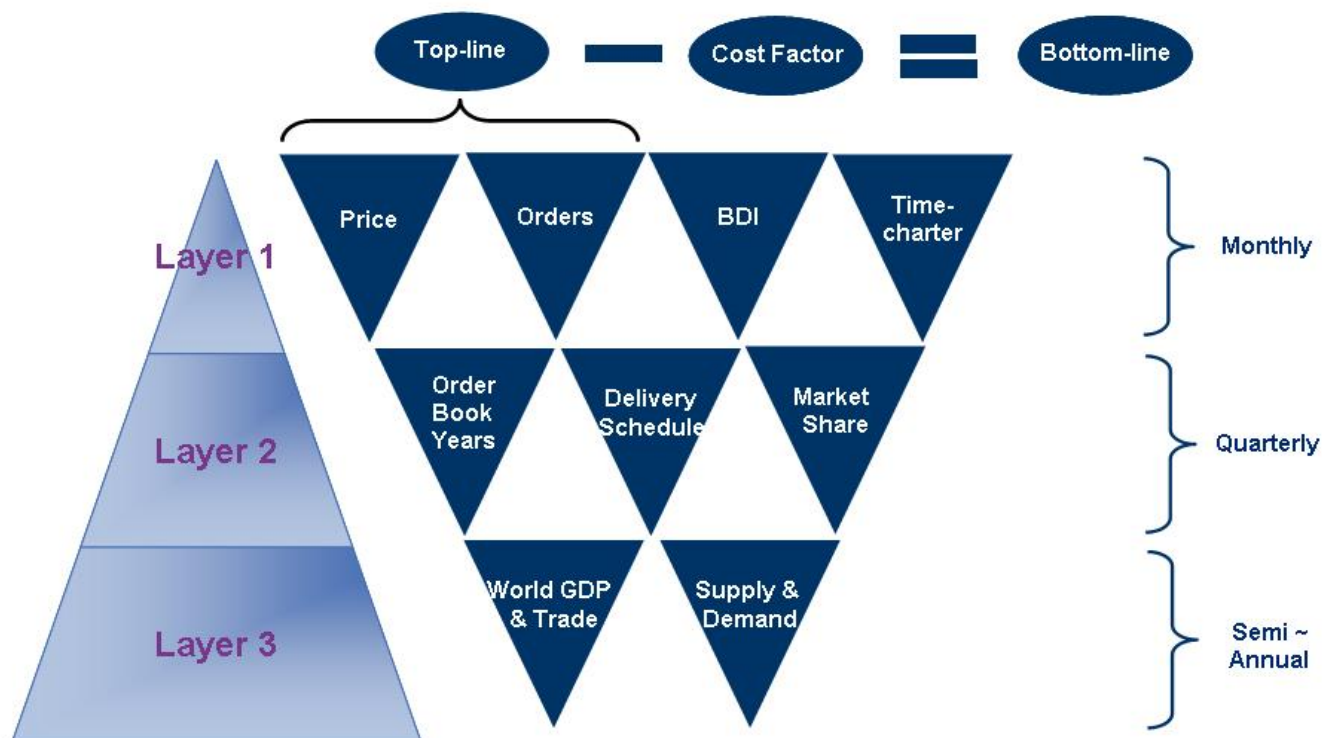
Layer three: This includes global GDP, seaborne trade, and demand and supply analysis. We covered these factors in our initiation report of January 16, 2009, *China Shipbuilding: Depth of order cancellation not priced in, resume coverage with cautious view*.

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



January 22, 2009
China Shipbuilding Monthly

New Shipbuilding Prices

Exhibit 1

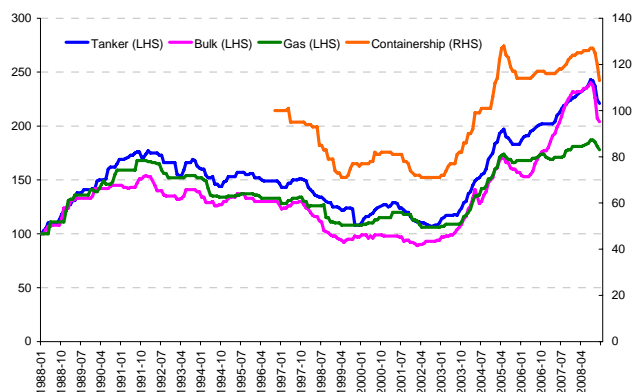
New Shipbuilding Prices by Segment

New Shipbuilding Price Chg.									YoY Chg					MoM Chg				
Type	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

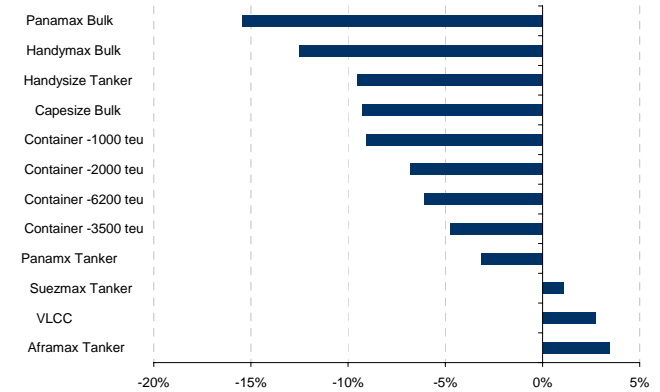
New Shipbuilding Price Index



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

January 22, 2009

China Shipbuilding Monthly

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	2	6%
		Median	140	4	25	38	6	5	8.0	1.8	1.3	27	2	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 Shipyard 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 slowdown 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 bulk carrier 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

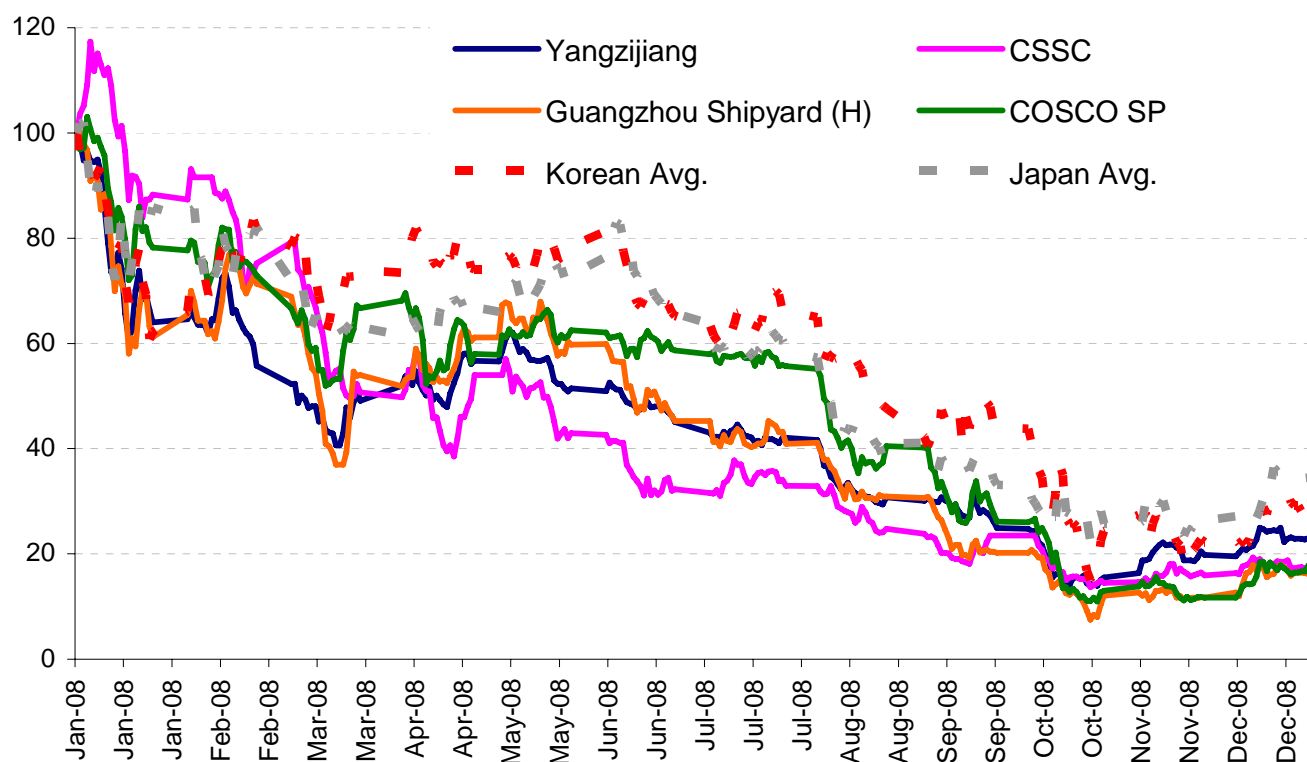


Exhibit 9

Steel Plate Prices

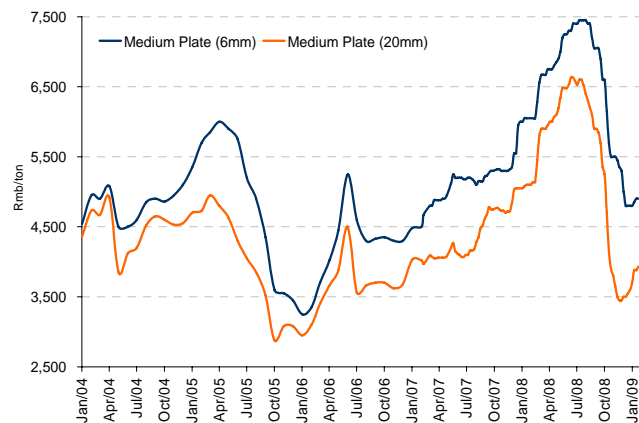
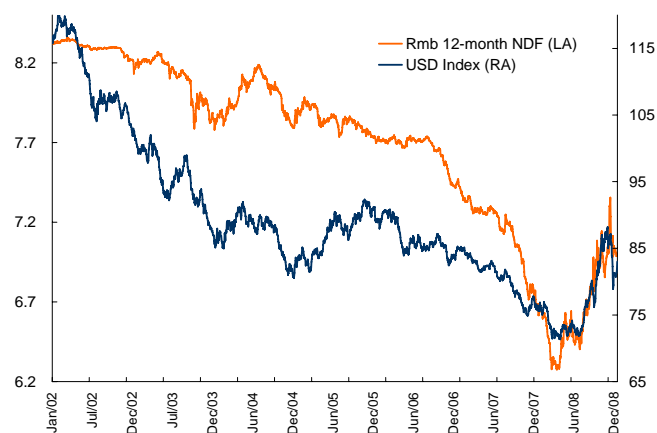


Exhibit 10

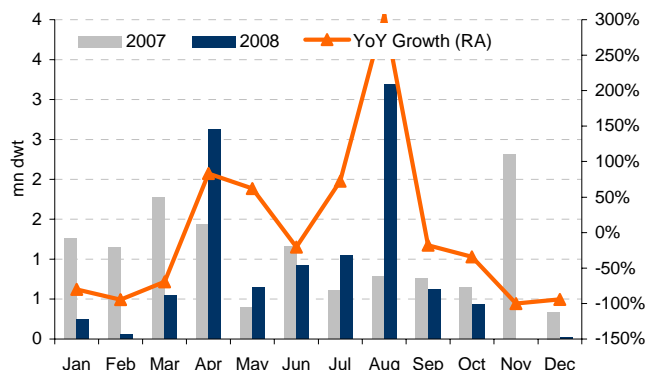
USD/Rmb



January 22, 2009
China Shipbuilding Monthly

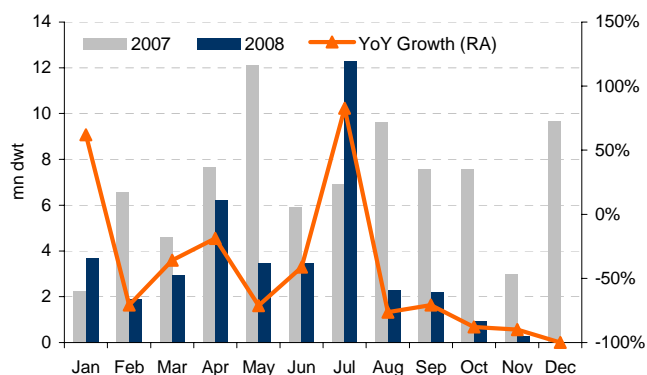
China's New Orders

Exhibit 11
China Tankers: Monthly New Orders



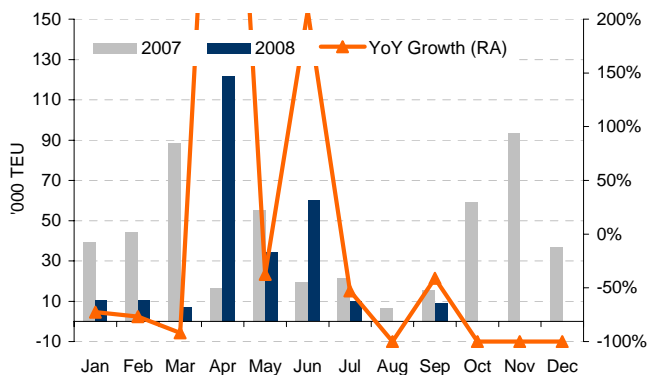
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 12
China Bulkers: Monthly New Orders



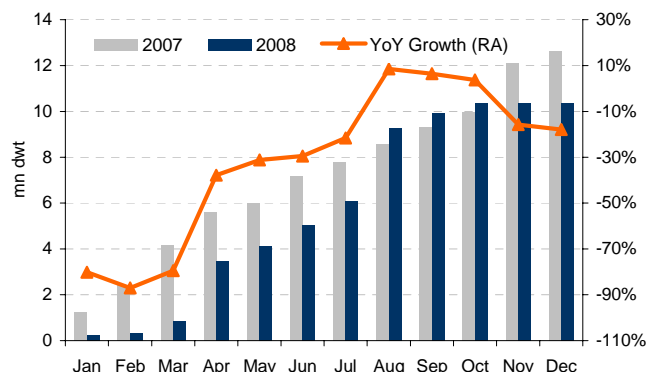
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 13
China Containerships: Monthly New Orders



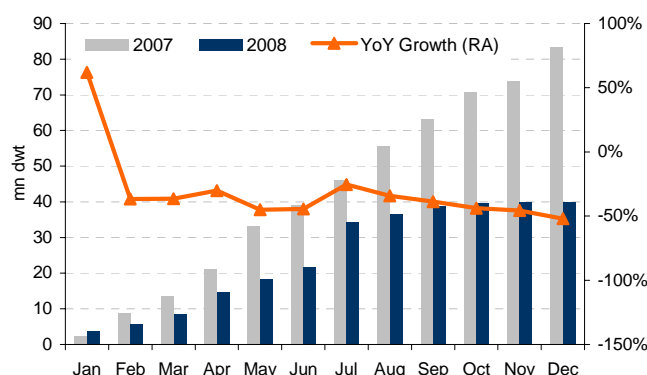
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 14
China Tankers: YTD New Orders



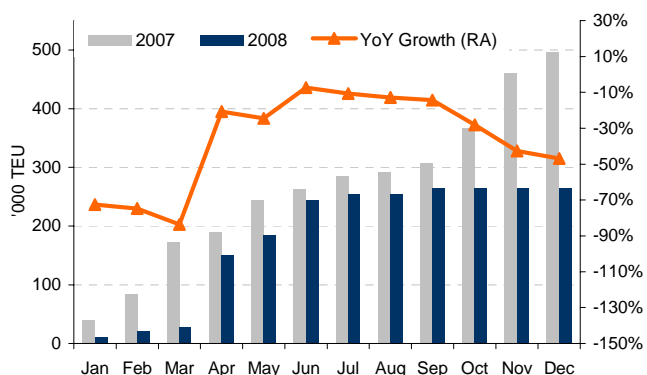
Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 15
China Bulkers: YTD New Orders



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 16
China Containerships: YTD New Orders



Source: Clarkson, CSERC, Morgan Stanley Research

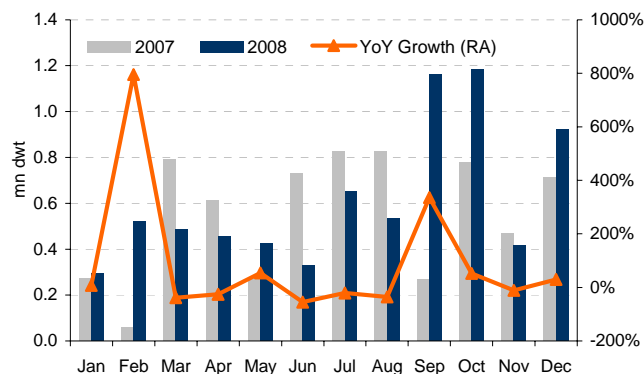
January 22, 2009

China Shipbuilding Monthly

China's Deliveries

Exhibit 17

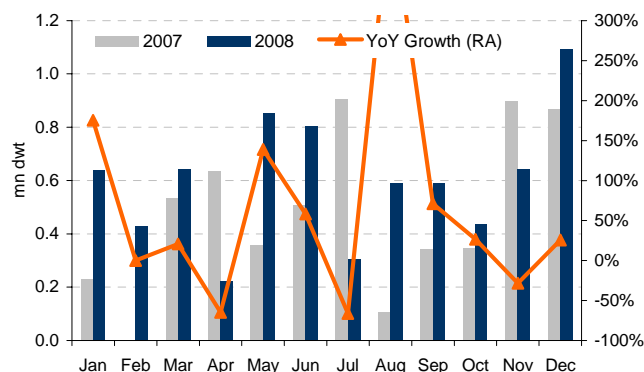
China Tankers: Monthly Deliveries



Source: Clarkson, CSREC, Morgan Stanley Research

Exhibit 18

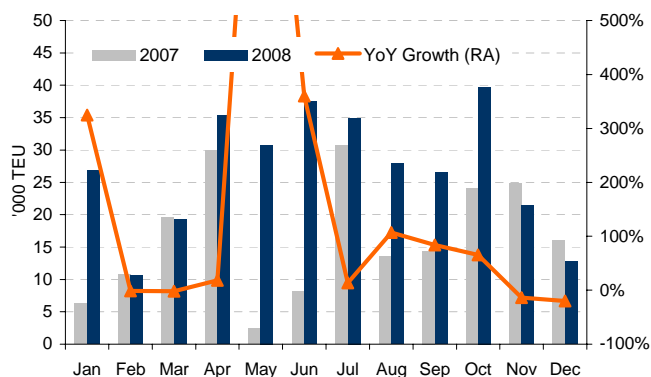
China Bulkers: Monthly Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 19

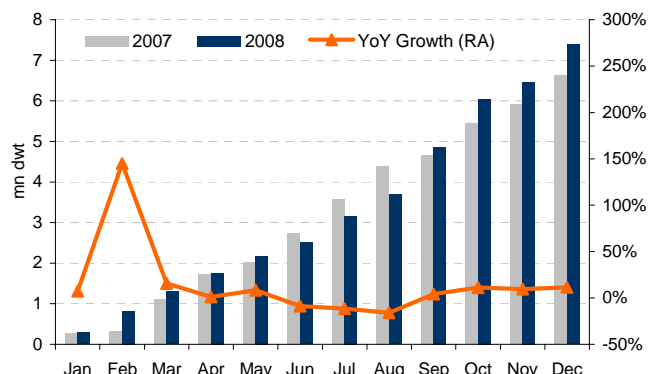
China Containerships: Monthly Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 20

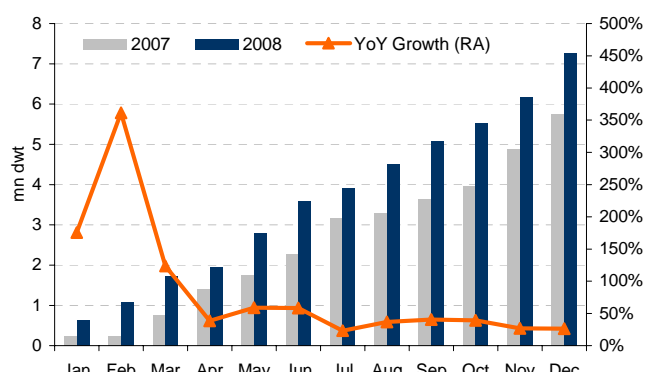
China Tankers: YTD Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 21

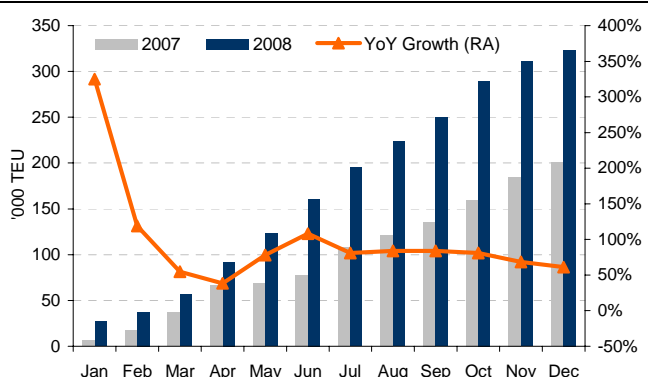
China Bulkers: YTD Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 22

China Containerships: YTD Deliveries



Source: Clarkson, CSERC, Morgan Stanley Research

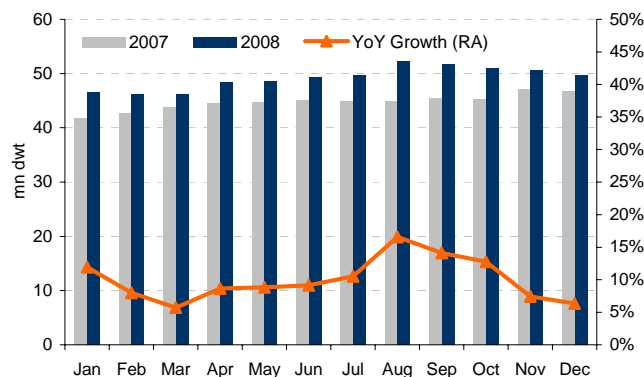
January 22, 2009

China Shipbuilding Monthly

China's Order Backlog and Market Share Changes

Exhibit 23

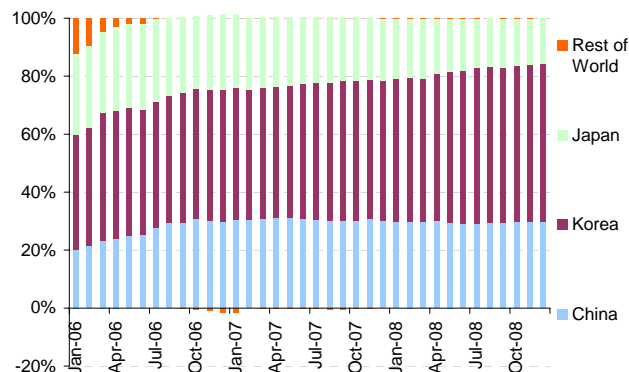
China Tankers: Order Backlog



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 26

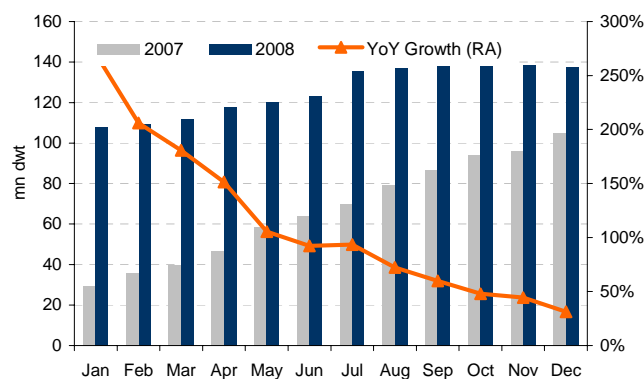
China Tankers: Market Share Changes



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

Exhibit 24

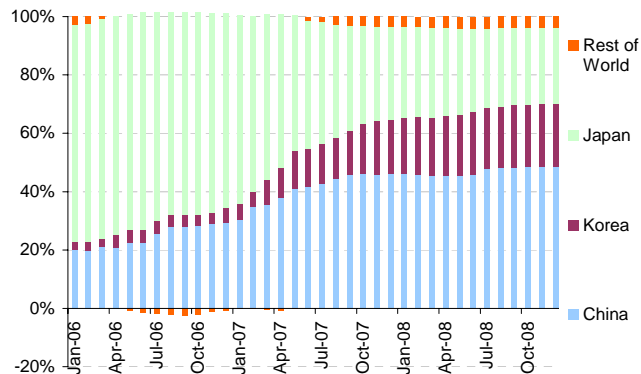
China Bulkers: Order Backlog



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 27

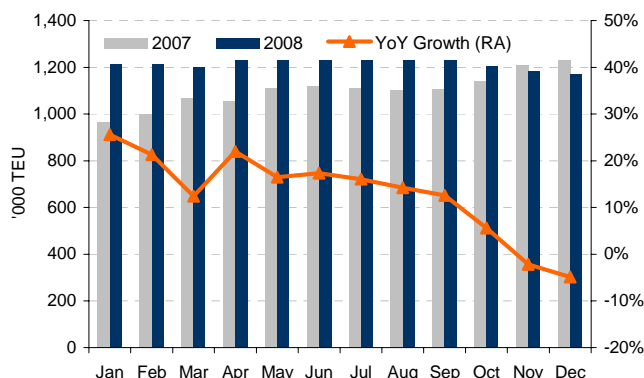
China Bulkers: Market Share Changes



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

Exhibit 25

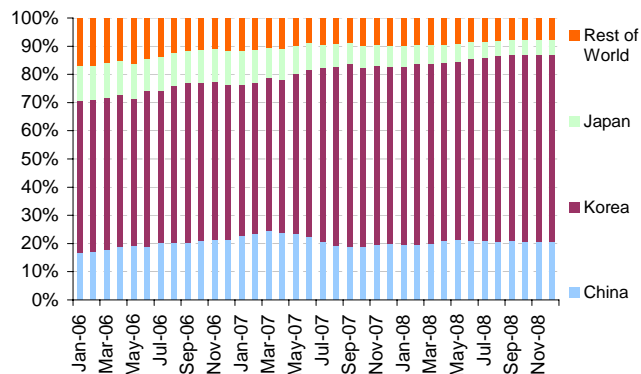
China Containerships: Order Backlog



Source: Clarkson, CSERC, Morgan Stanley Research

Exhibit 28

China Containerships: Market Share Changes



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

January 22, 2009

China Shipbuilding Monthly

Global Industry Sentiment: Bulk Carriers

Exhibit 29

Bulk Carriers: Price Trends

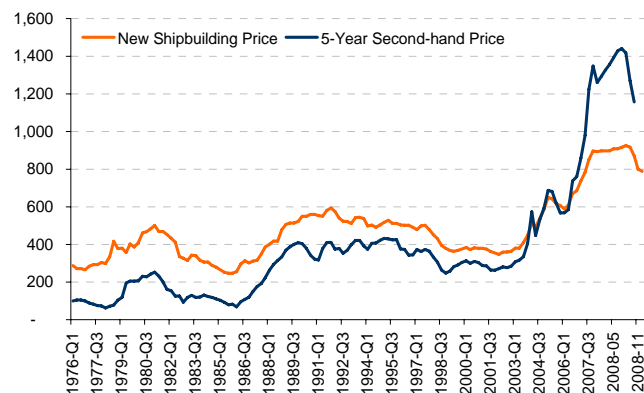


Exhibit 32

Bulk Carriers: Order Book vs. World Fleet

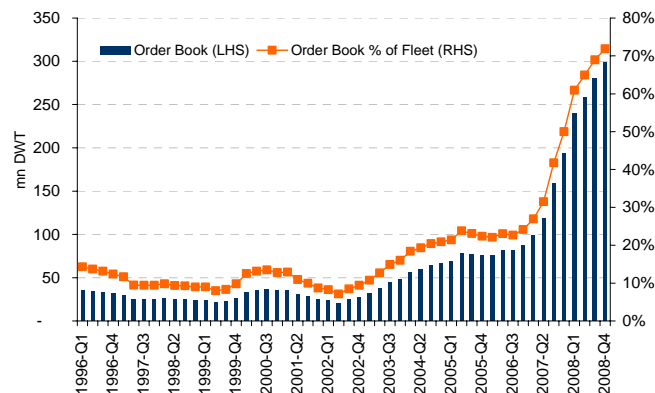


Exhibit 30

Bulk Carriers: New Order Trends

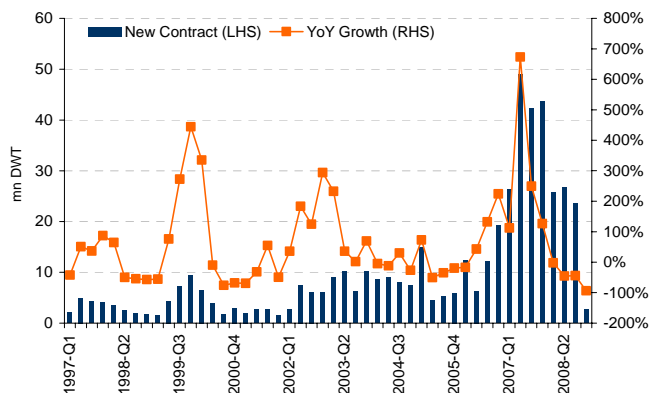


Exhibit 33

Bulk Carriers: BDI vs. BCI

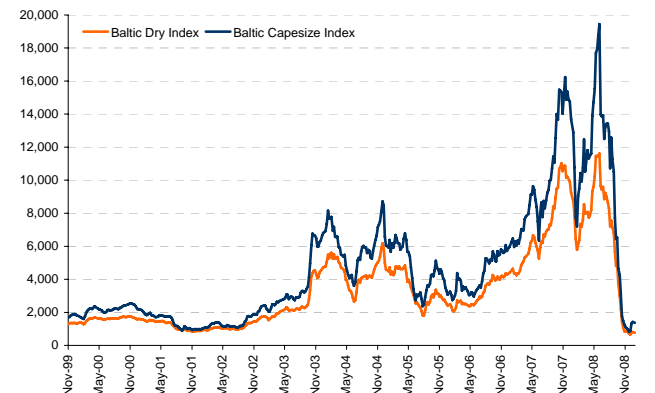


Exhibit 31

Bulk Carriers: Order Book Years

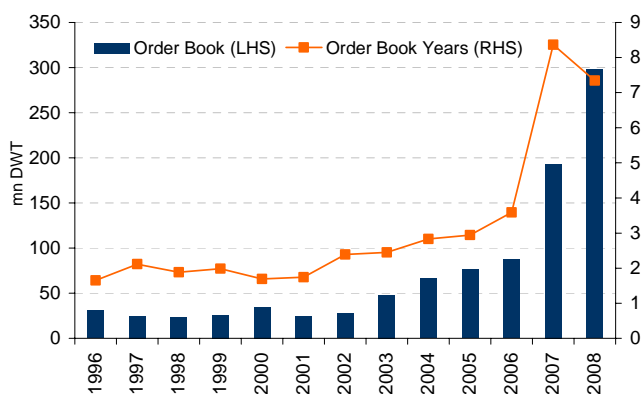
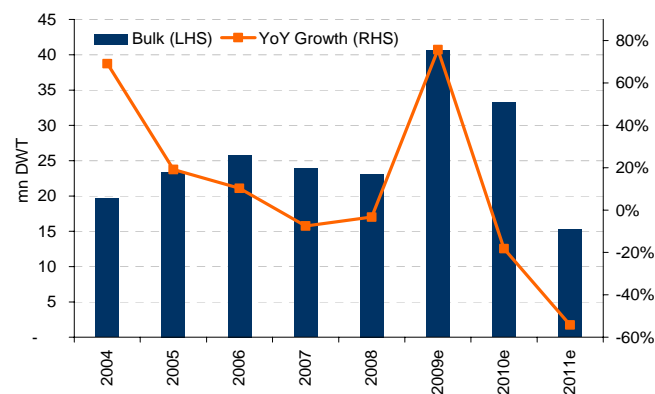


Exhibit 34

Bulk Carriers: Scheduled Deliveries



Source for all charts: Clarkson, Morgan Stanley Research

January 22, 2009

China Shipbuilding Monthly

Global Industry Sentiment: Tankers

Exhibit 35

Tankers: Price Trends

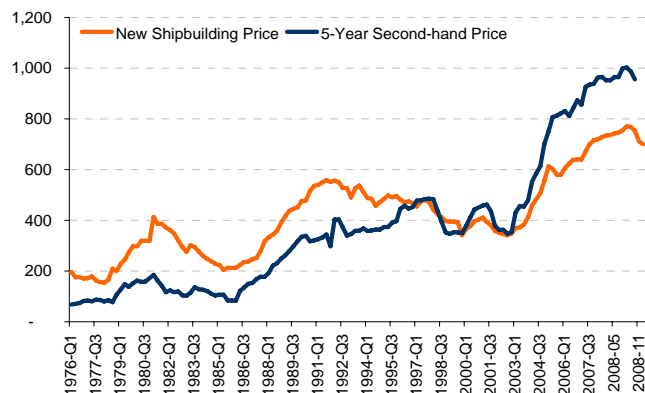


Exhibit 38

Tankers: Order Books vs. World Fleet

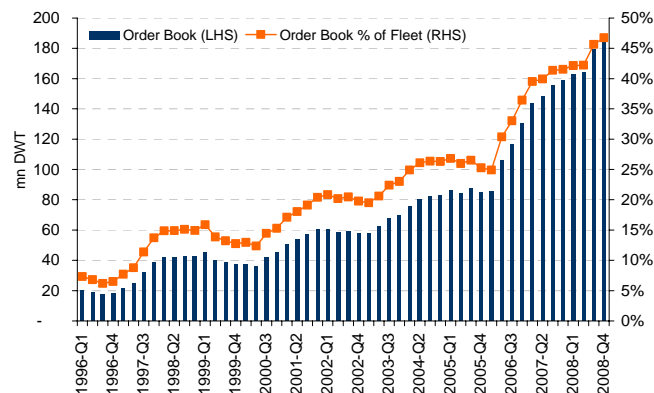


Exhibit 36

Tankers: New Order Trends

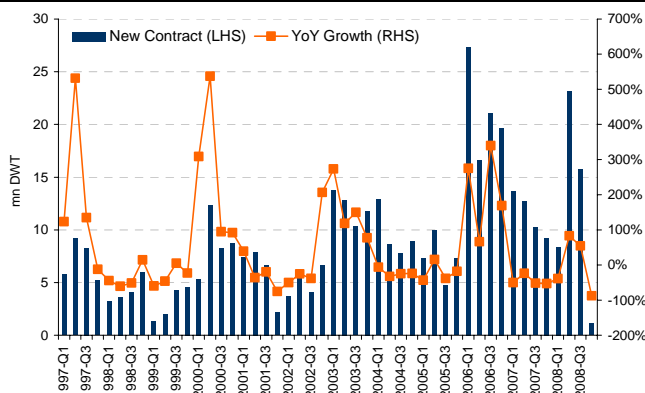


Exhibit 39

Tankers: Baltic Tanker Indexes

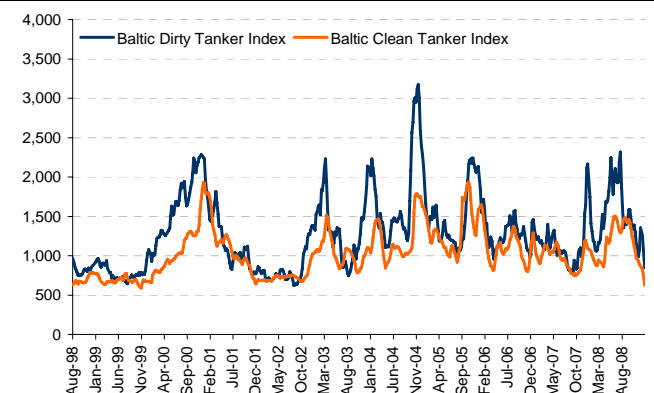


Exhibit 37

Tankers: Order Book Years

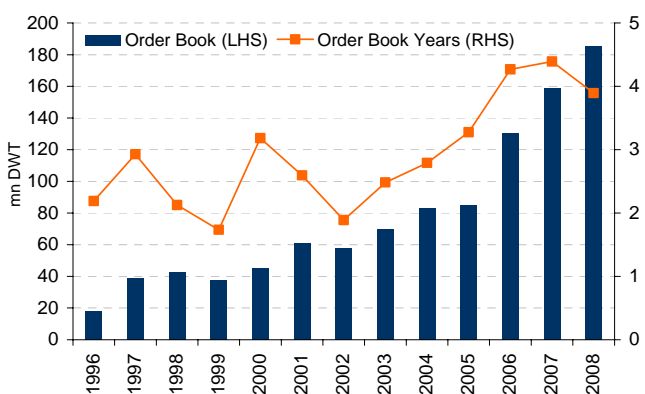
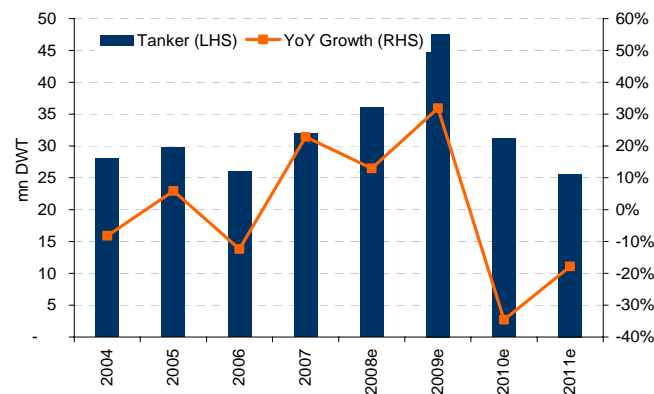


Exhibit 40

Tankers: Scheduled Deliveries



Source for all charts: Clarkson, Morgan Stanley Research

January 22, 2009

China Shipbuilding Monthly

Global Industry Sentiment: Containerships

Exhibit 41

Containerships: Price Trends

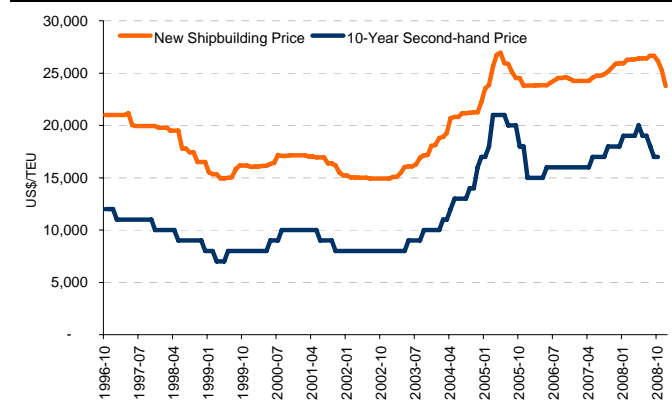


Exhibit 44

Containerships: Order Book vs. World Fleet

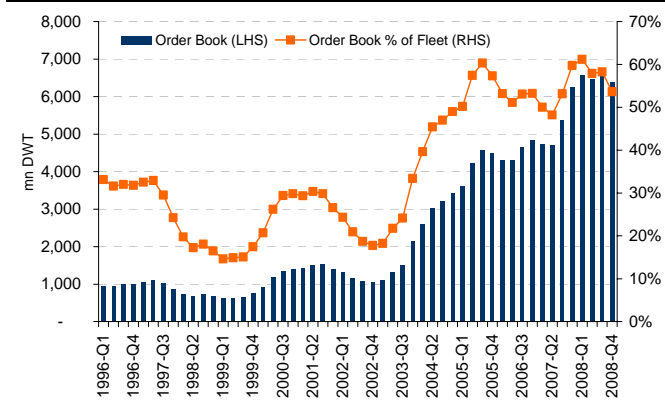


Exhibit 42

Containerships: New Order Trends

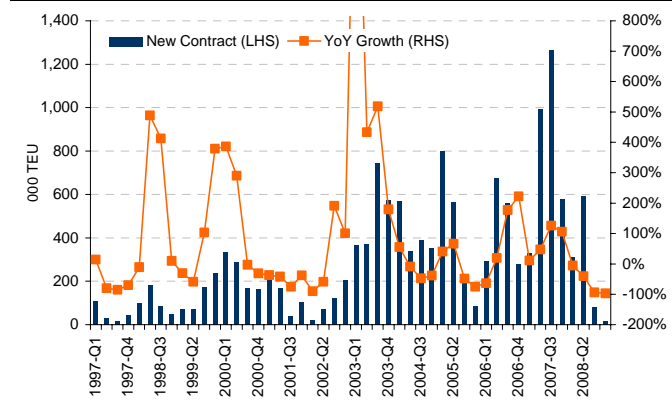


Exhibit 45

Containerships: Time Charters

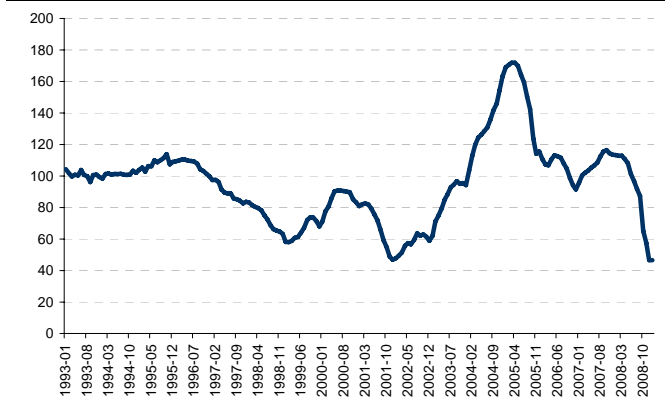


Exhibit 43

Containerships: Order Book Years

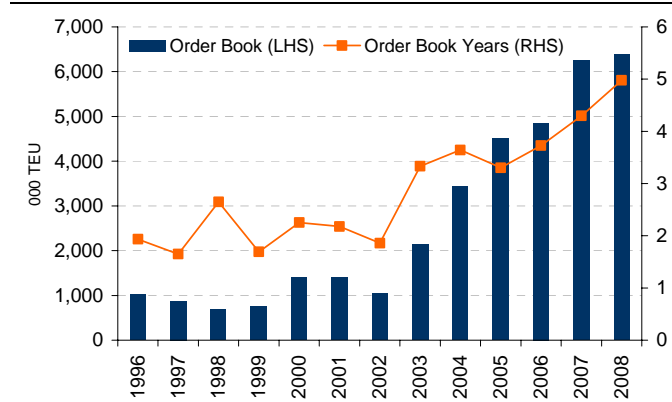
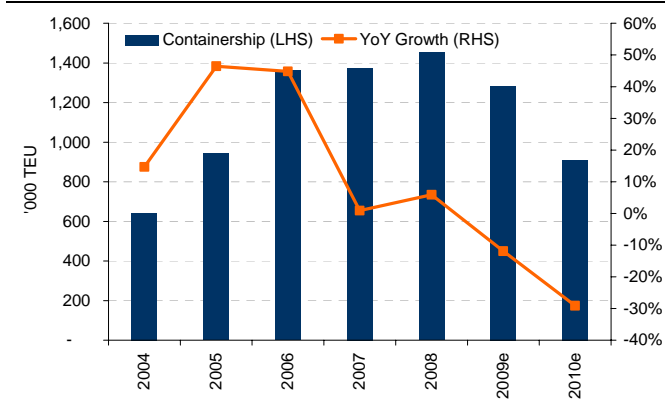


Exhibit 46

Containerships: Scheduled Deliveries



Source: Clarkson, Morgan Stanley Research

January 22, 2009

China Shipbuilding Monthly

China Steel Plate: Output, Trade, Inventory & Profitability

Exhibit 47

China Steel Plate: Monthly Output

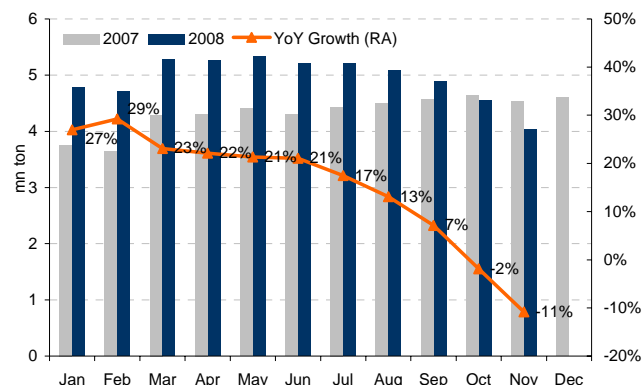


Exhibit 50

China Steel Plate: YTD Output

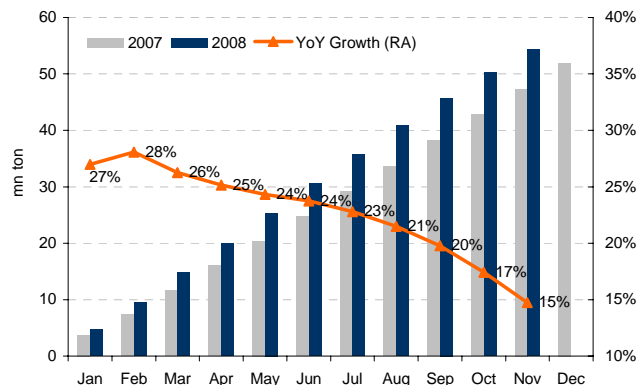


Exhibit 48

China Steel Plate: Monthly Import

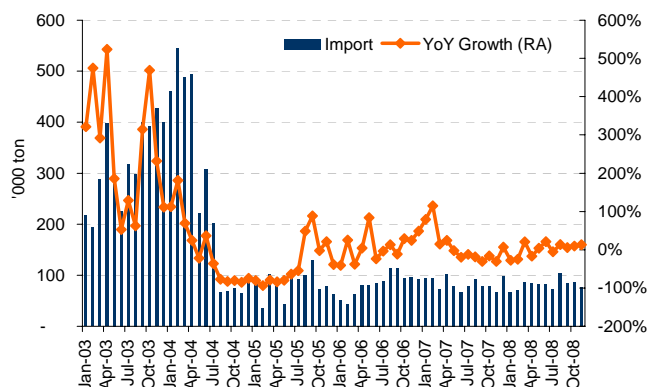


Exhibit 51

China Steel Plate: Monthly Export

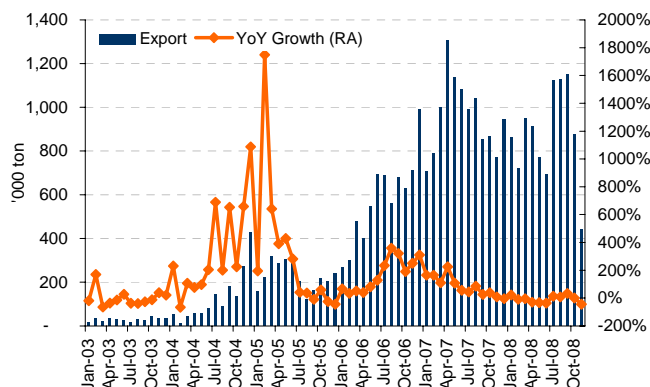


Exhibit 49

China Steel Plate: Monthly Inventory

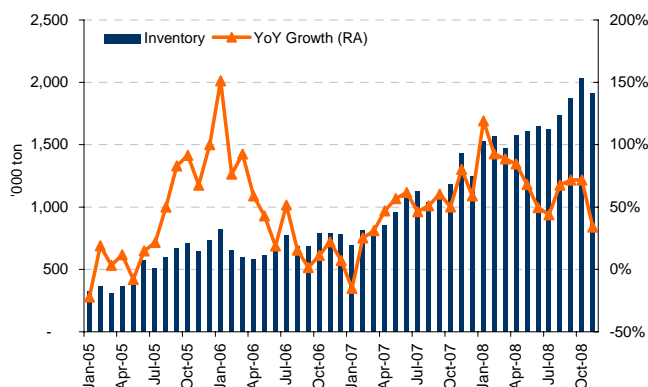
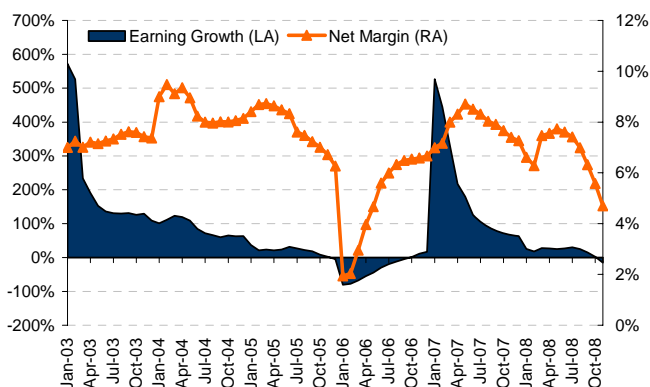


Exhibit 52

China Steel Industry: Growth & Margin Trend



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

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited and their affiliates (collectively, "Morgan Stanley").

For important disclosures, stock price charts and rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Andy Meng.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflict/policies.

Important US Regulatory Disclosures on Subject Companies

The research analysts, strategists, or research associates principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. 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.

Global Stock Ratings Distribution

(as of December 31, 2008)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

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.

Analyst Stock Ratings

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Not-Rated/Hold (NA or NAV) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months. Please note that NA or NAV may also be used to designate stocks where a rating is not currently available for policy reasons. For the current list of Not-Rated/Hold stocks as counted above in the Global Stock Ratings Distribution Table, please email morganstanley.research@morganstanley.com.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

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.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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.

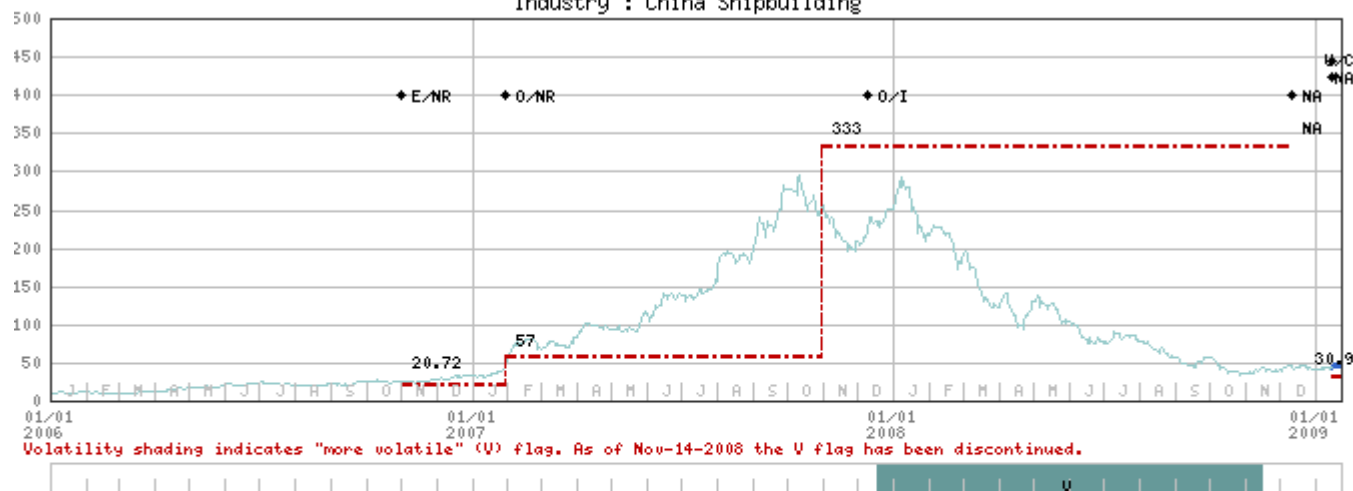
January 22, 2009

China Shipbuilding Monthly

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



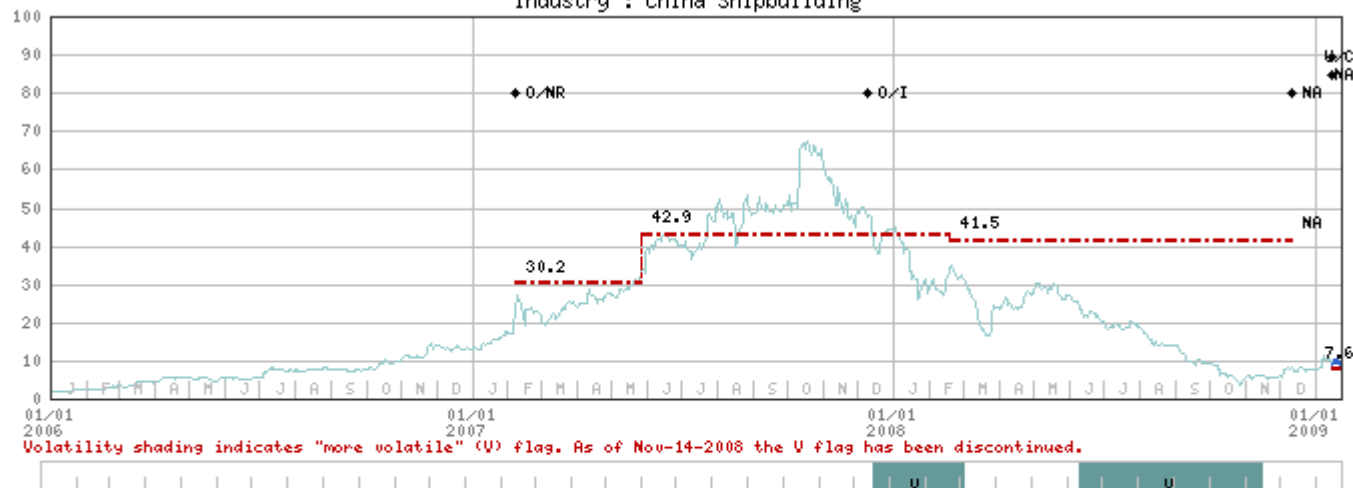
Stock Rating History: 11/1/06 : E/NR; 1/30/07 : O/NR; 12/10/07 : O/I; 12/11/08 : NA; 1/14/09 : NA; 1/15/09 : U/C

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 (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)

January 22, 2009
China Shipbuilding Monthly

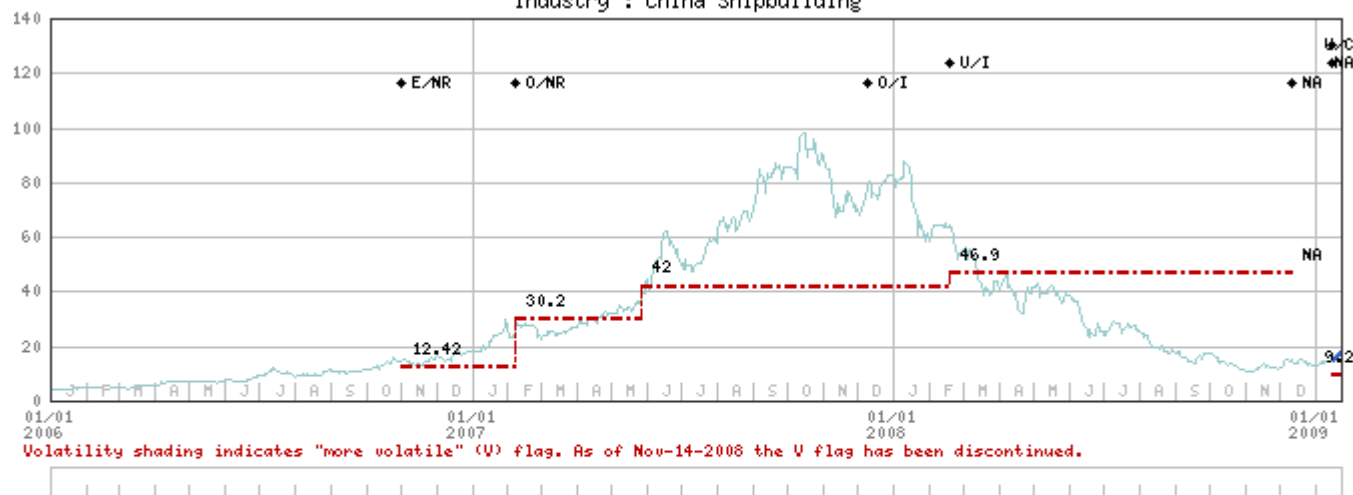
Guangzhou Shipyard Intl. Co., Ltd. (0317.HK) - As of 1/21/09 in HKD
Industry : China Shipbuilding



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



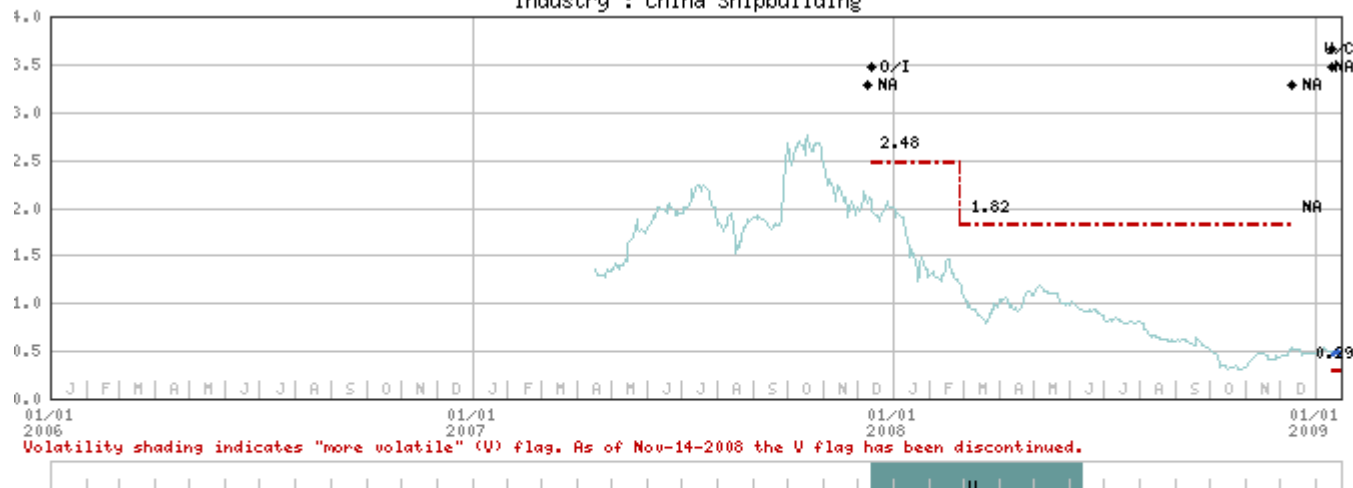
Stock Rating History: 11/1/06 : E/NR; 2/7/07 : 0/NR; 12/10/07 : 0/I; 2/19/08 : U/I; 12/11/08 : NA; 1/14/09 : NA;
1/15/09 : U/C
Price Target History: 11/1/06 : 12.42; 2/7/07 : 30.2; 5/28/07 : 42; 2/19/08 : 46.9; 12/11/08 : NA; 1/15/09 : 9.2

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)

January 22, 2009

China Shipbuilding Monthly

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 (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)

Other Important Disclosures

Morgan Stanley produces a research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in this or other research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at www.morganstanley.com.

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this summary and the risks related to achieving these targets, please refer to the latest relevant published research on these stocks.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities/instruments discussed in Morgan Stanley Research may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities or derivatives of securities of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities or derivatives of securities of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

Morgan Stanley and its affiliate companies do business that relates to companies/instruments covered in Morgan Stanley Research, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis.

With the exception of information regarding Morgan Stanley, research prepared by Morgan Stanley Research personnel are based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Unless otherwise stated, the cover page provides the closing price on the primary exchange for the subject company's securities/instruments.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index; or any securities/instruments issued by a company that is 30% or more directly- or indirectly-owned by the government of or a company incorporated in the PRC and traded on an exchange in Hong Kong or Macau, namely SEHK's Red Chip shares, including the component company of the SEHK's China-affiliated Corp Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited.

Morgan Stanley Research is disseminated in Japan by Morgan Stanley Japan Securities Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services licence No. 233742, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc representative about the investments concerned. In Australia, Morgan Stanley Research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at wholesale customers only, as defined by the DFSA. This research will only be made available to a wholesale customer who we are satisfied meets the regulatory criteria to be a client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley has based its projections, opinions, forecasts and trading strategies regarding the MSCI Country Index Series solely on publicly available information. MSCI has not reviewed, approved or endorsed the projections, opinions, forecasts and trading strategies contained herein. Morgan Stanley has no influence on or control over MSCI's index compilation decisions.

Morgan Stanley Research, or any portion hereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

The Americas

1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe

20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan

4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008
Japan
Tel: +81 (0) 3 5424 5000

Asia/Pacific

1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

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)	S\$4.7

Stock Ratings are subject to change. Please see latest research for each company.