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CHINA TRANSPORTATION

Assessing a Hormuz reopening scenario; Prefer Tankers, Airlines and Shipbuilders

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On Jun 14th, Reuters news reported that the US and Iran have agreed on a framework to end the war which started in late Feb. While the memorandum of understanding is scheduled to be officially signed on Jun 19th in Switzerland, with a final deal to be discussed in the 60 days following agreement by the two sides, of the reported elements, two possible that could introduce material impacts to the China Transportation sector include: **1) the reopening of Strait of Hormuz**, and **2) potential removal of the sanction on Iranian oil**. While the situation remains fluid, we **conduct an illustrative scenario analysis**, assuming our Commodities teams' Benign scenario (see the team's note here) and revisit our extreme (or bluesky) scenario which assumes sanctions on Iranian oil are lifted (see Feb-26 report), to assess the potential impact to our China Transportation names.

The analyses suggest:

1) **Covered Oil Tankers and COSCO Energy (1138.HK / 600026.SS) could see the greatest upside among our Transportation sector** given: i) potential reversal of over-supply of 9/11ppts amid closure of Hormuz for crude / product oil tanker shipping; ii) **further 5% oil restocking demand potential** could make up for global crude inventory draw-down (705 mn bbls) resulting from the Hormuz closure, in a scenario where Gulf exports normalize by end-July. By combining a higher price elasticity (US$20k on 1ppt net demand change) due to more concentrated VLCC market amid SinoKor's aggressive consolidation (see Mar-26 report), we believe **the VLCC TCE could reach to US$250k / day in the first year after a Hormuz reopening scenario** (implies an upside scenario vs. our base case at US$150k/day and share price implied US$110k/day), and **earnings could see 57% upside (Exhibit 8)**. **And in a bluesky scenario, where the sanction over Iranian oil is lifted,** we estimate another 5ppts shipping demand could be shifted from shadow fleet to compliant fleet (see Feb-26 report). This scenario **could push VLCC TCE even higher to US$350k/day in the first year after a Hormuz reopening scenario,** implying **earnings could see 114% upside potential**, all else equal **(Exhibit 8).** Even after we apply a lower P/E valuation multiple of 10x / 8x for COSCO Shipping Energy A/H

(from assuming a 25% discount to target P/E), to factor in a higher supply from 2028E due to Chinese shipyards' capacity expansion (see our trip takeaways), the implied valuation from the Benign and extreme scenarios suggest 113%/189% share price upside for COSCO Energy-H (Exhibit 8).

2) **Airlines:** Our Commodities team estimates a US$10/bbl lower for oil price by factoring in normalization shifting to end-July in their base case vs. end-August previously. With this, we estimate that covered Airlines earnings could improve by 16%-26% for the big three, 4% for Spring on both lower fuel cost and better demand (driven by a lower fuel surcharge), and 4% upside for Eastern Air Logistic (Exhibit 12). **If Gulf exports normalize by end-July'26** this suggests the **big three airlines' H-shares could see c.60%-70% share price upside potential.**

3) **Shipbuilding:** Although a reopening of Hormuz would likely not materially affect the near-term earnings for shipbuilders given their limited exposures, we believe an elevated freight rate (Exhibit 14) and a higher visibility of trade could incentivize shippers' to place new ship orders, and re-accelerate the order momentum from May's slow-down (Exhibit 13), **which could be a positive share price driver to covered shipbuilders**. Among our covered Shipbuilders, **we prefer Songfa (603268.SS) with its primary asset Hengli Heavy** on its fast expansion and stronger order momentum amid the upcycle.

4) We also see **moderate downside risk to Container Shipping and COSCO Shipping Holdings (1919.HK / 601919.SS),** considering a higher effective capacity from: 1) higher vessel speed due on a lower bunker price; 2) potential reopening of Red Sea could free up c.10% effective capacity on shorter shipping routes.

Exhibit 1: We believe tanker shipping will benefit the most from reopening of Strait of Hormuz and removal of Iranian oil sanctions, followed by airlines/shipbuilding/air freight; while container shipping could have downside from a potential reopening of Red Sea

					Base case				Upside scenario: Gulf exports normalize by End-July'26					Blue sky scenario: Gulf exports normalize by end Jul'26 + Removal of sanction on Iranian oil				
Impact	Sector	Company	Ticker	Ratings	Peak earnings	Implied P/E	Target market cap	Upside/ Downside	Scenario earnings	Scenario multiple	Implied market cap	Upside/Downside		Scenario earnings	Scenario multiple	Implied market cap	Upside/Downside	
					Rmb mn	X	Rmb bn	vs. last close, %	Rmb mn	X	Rmb bn	vs. last close, %	vs. base case, %	Rmb mn	X	Rmb bn	vs. last close, %	vs. base case, %
(+)	Tanker Shipping	COSCO Shipping Energy (A)	600026.SS	Buy	13,770	13.1X	180	71%	21,653	10.0X	217	106%	20%	29,423	10.0X	294	180%	63%
		COSCO Shipping Energy (H)	1138.HK	Buy	13,770	10.5X	144	77%	21,653	8.0X	173	113%	20%	29,423	8.0X	235	189%	63%
(+)	Airlines	Air China (H)	0753.HK	Buy	13,354	11.2X	150	49%	15,466	11.2X	174	73%	16%					
		Air China (A)	601111.SS	Buy	13,354	8.4X	113	32%	15,466	8.4X	131	53%	16%					
		China Eastern Airlines (H)	0670.HK	Buy	10,396	9.3X	97	34%	12,307	9.3X	115	59%	18%					
		China Eastern Airlines (A)	600115.SS	Buy	10,396	11.9X	124	36%	12,307	11.9X	147	61%	18%					
		China Southern Airlines (H)	1055.HK	Buy	9,035	9.3X	84	36%	11,376	9.3X	106	71%	26%					
		China Southern Airlines (A)	600029.SS	Neutral	9,035	12.0X	109	10%	11,376	12.0X	137	38%	26%					
		Spring Airlines	601021.SS	Buy	3,631	15.1X	55	18%	3,793	15.1X	57	23%	4%					
(+)	Shipbuilding	Guangdong Songfa Ceramics	603268.SS	Buy	14,927	12.0X	179	17%	An elevated tanker freight rate and a higher visibility of trade would incentivize shippers' more new ship orders									
		Yangzijiang Shipbuilding	YAZG.SI	Buy	13,314	15.1X	99	31%	A higher visibility of trade would incentivize shippers' more new ship orders									
(+)	Air freight	Eastern Air Logistics	601156.SS	Sell	2,409	7.9X	19	-30%	2,510	7.9X	20	-28%	4%					

					Base case				Scenario: Reopen of Red Sea				
					2027E BVPS	Implied P/B	Target market cap	Upside/ Downside	Scenario BVPS	Scenario multiple	Implied market cap	Upside/Downside	
					Rmb	X	Rmb bn	vs. last close, %	Rmb	X	Rmb bn	vs. last close, %	vs. base case, %
(-)	Container Shipping	COSCO Shipping Holdings (A)	601919.SS	Sell	15.80	0.8X	200	-11%	15.40	0.8X	179	-20%	-10%
		COSCO Shipping Holdings (H)	1919.HK	Sell	15.80	0.6X	145	-24%	15.40	0.5X	130	-32%	-10%

As of Jun 15, 2026. Peak earnings: tanker in 2026E; airlines and shipbuilding in 2028E. For EAL, we show 2028E net profit as peak earnings.

Source: Datastream, Goldman Sachs Global Investment Research

A look at our illustrative scenarios

Our illustrative scenario analysis assumes our Commodities teams' *Benign Scenario* which assumes exports normalize by end-July. We also revisit our bluesky scenario which assumes sanctions on Iranian oil are lifted (see Feb-26 report). The scenario analyses suggests the following implications to our China Transportation subsectors:

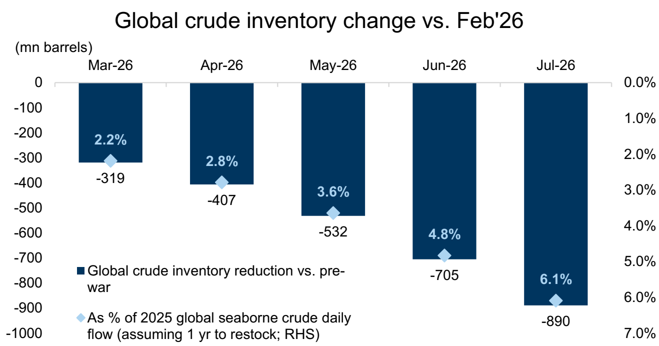
Tankers

- VLCC TCE (China) has declined from the US$200k/day pre-war level to c.US$90k-100k/day as of Jun 12th, 2026 due to a temporary 9/11ppts oversupply for crude / product tanker shipping amid the closure of Hormuz (in line with our Mar-26 report). We believe the VLCC TCE could reach US$250k/day in the first year after a Hormuz reopening scenario — this upside scenario compares to our base case or US$150k/day (uses our Commodities teams' SoH flows base case). Our bluesky scenario, which assumes sanctions over Iranian oil are lifted, implies another 5ppts shipping demand could be shifted from shadow fleet to compliant fleet (see Feb-26 report), and we believe this could push VLCC TCE even higher to US$350k/day in the first year after a Hormuz reopening. Our scenarios are based on:

- **Crude inventory restocking demand:** Based our US Commodities teams' forecasts, global crude inventory are c.705mn barrels below Feb-26 level as of Jun-26 end. Assuming it takes one year to make up for the drawdown, this implies a further 4.8% restocking demand under a scenario where Gulf exports normalize by end of Jul-26 (Benign Scenario).
- **Shipping demand shifting from shadow fleet to compliant fleet**: As discussed in our note on geopolitical scenarios for Tankers, if sanctions on Iranian oil were completely removed, this could further accelerate the exit of shadow fleet capacity, as unsanctioned oil would no longer need a shadow fleet for transportation, which would imply a potential shift of 4.8ppts shipping demand from shadow fleet to compliant fleet (e.g. COSCO Energy).
- **Price elasticity of US$20k/day on 1ppt net demand change for VLCC:** Amid SinoKor's active expansion of late (e.g. acquired and leased old ships from the secondary market), VLCC market concentration has increased with the top 10 compliant players controlling 68% market shr vs. 47% in 2025 (see our Mar-26 report). As a result, VLCC operators have had stronger pricing power. Our price elasticity analysis suggests that every 1ppt increase in crude tanker net demand led to a US$6k hike in daily VLCC-TCE (China) during 2021-25; this price elasticity enlarges to US$20k in 2M2026 assuming the latest the industry consolidation (Exhibit 3).

- For COSCO Shipping Energy (A/H), VLCC TCE sensitivity suggest Rmb806mn incremental net profit from every US$10k increase in VLCC TCE. With this, we estimate the company's peak earnings could increase from c.Rmb13.8bn in 2026E under our base case to c.Rmb21.7bn assuming Gulf exports normalize by end Jul'26, and to c.Rmb29.4bn assuming Gulf exports normalize by end Jul'26 and the removal of sanctions on Iranian oil. Amid these scenarios, a 2026E peak earnings analysis (Exhibit 8) suggests 106%/113% to 180%/189% upside potential for COSCO Shipping Energy A/H in a Benign and bluesky scenario respectively. We apply a c.25% discount to COSCO Shipping Energy A/H target P/Es arriving at target P/Es of 10x/8x, factoring in a higher growth capacity in 2028E vs. Mar-26 update (see Mar-26 report) which implies higher capacity growth in no. of VLCCs to be delivered in 2027E/2028E at 7%/11% of YE2025 fleet capacity.

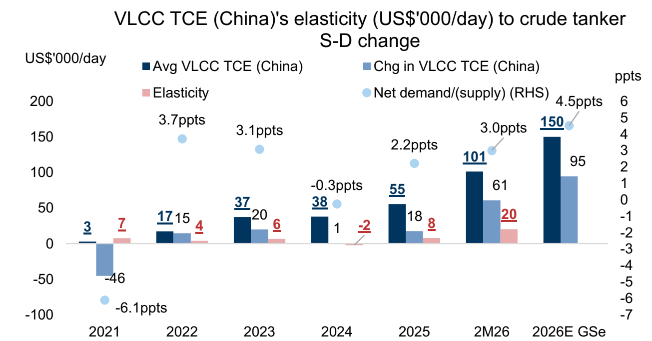
Exhibit 2: We estimate that restocking could add 4.8% of global seaborne crude oil trade demand if Gulf exports normalize by end of Jul'26



Global crude inventory is based on our GS Commodities teams' Global Oil Supply and Demand model as of Jun 11, 2026. 2025 global seaborne crude oil trade was 40.2mbpd based on Clarksons data.

Source: Goldman Sachs Global Investment Research, Clarksons

Exhibit 3: VLCC TCE elasticity to crude tanker net demand / (supply)



Elasticity denotes change of VLCC TCE (China) (US$'000/day) to every percentage point change in crude tanker net demand/(supply). VLCC TCE (China) refers to the average of TCEs on routes TD3C, TD15, TD22.

Source: Clarksons, Bloomberg, Goldman Sachs Global Investment Research

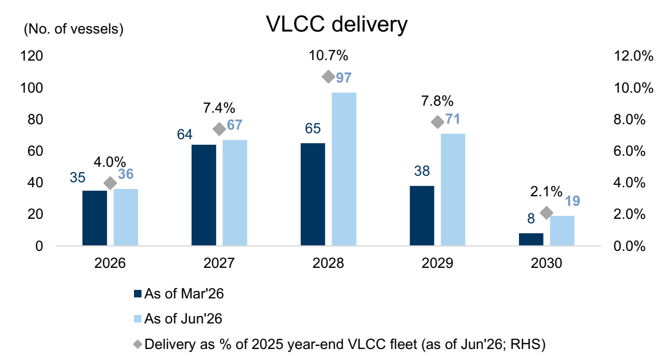
Exhibit 4: Sensitivity analysis of TCE and COSCO Shipping Energy net profit

Fleet type	Incremental net profit from every US$10k increase in VLCC TCE (Rmb mn)	Fleet type	Incremental net profit from every US$10k increase in LR2 TCE (Rmb mn)
Crude	**806**	**Product**	**315**
VLCC	714	LR2	142
Suezmax	19	LR1	146
Aframax	61	MR	27
Panamax	5		
MR	8		

Fleet data as of end-1Q26. TCE change of different crude / product fleet type based on DWT change vs. VLCC / LR2. Assumes a 25% tax rate.

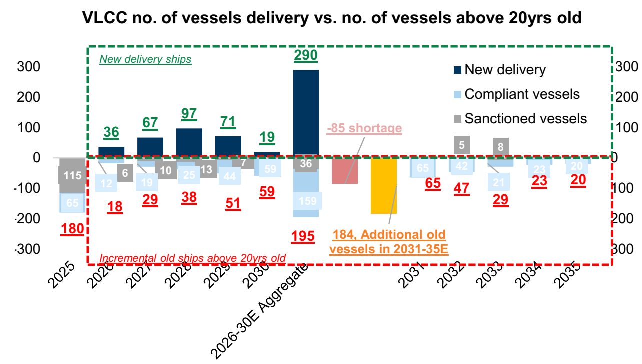
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: VLCC delivery based on Jun'26 orderbook vs. Mar'26 orderbook



Source: Clarksons

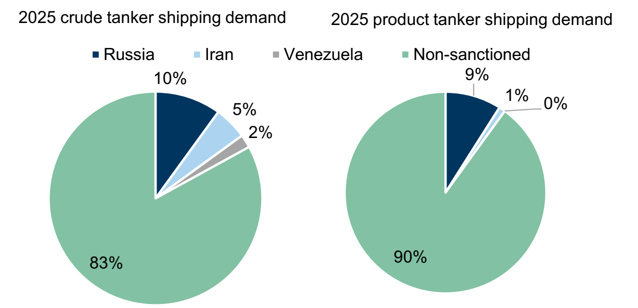
Exhibit 6: VLCC delivery in 2026-30 vs. no. of vessels above 20yrs



As of Jun 7, 2026.

Source: Clarksons, Data compiled by Goldman Sachs Global Investment Research

Exhibit 7: Crude tanker / product tanker shipping demand breakdown



Source: Clarksons, Bloomberg, Reuters, Data compiled by Goldman Sachs Global Investment Research

Exhibit 8: COSCO Shipping Energy peak earnings scenario analysis

					600026.SS	1138.HK	600026.SS	1138.HK	600026.SS	1138.HK
			VLCC TCE (China) US$/day	Peak earnings Rmb mn	Target P/E X	X	Target market cap Rmb bn	Rmb bn	Upside vs. current share price %	%
Base			150,000	13,770	13.1X	10.5X	180	144	71%	77%
Scenario		Chg in net demand pp	VLCC TCE (China) US$/day	Peak earnings assume flow normalize for 1 yr Rmb mn	Scenario P/E multiple X	X	Implied market value Rmb bn	Rmb bn	Upside vs. current share price %	%
Upside	Normalize by end Jul'26	4.8	247,814	21,653	10.0X	8.0X	217	173	106%	113%
Blue Sky	Normalize by end Jul'26 + Removal of sanction on Iranian oil	9.6	344,233	29,423	10.0X	8.0X	294	235	180%	189%

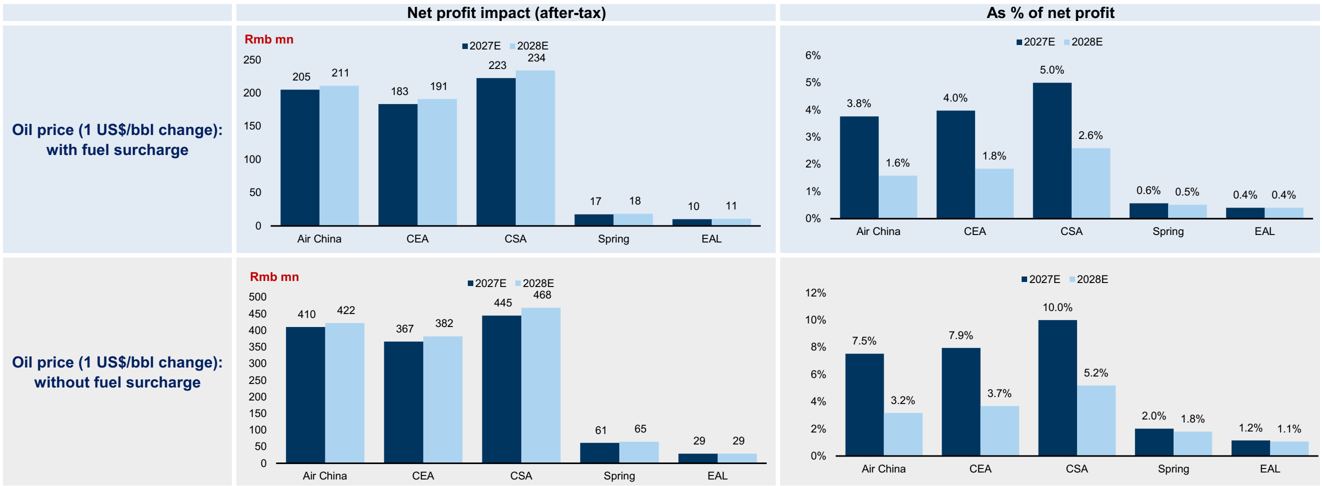
Last close H-share of HK$16.95/ share, A-share of Rmb19.25/ share, as of Jun 15, 2026. VLCC TCE (China) elasticity assume 1pp change in crude tanker net demand/(supply) leads to US$20k/day increase in VLCC TCE (China). Earnings Sensitivity: We assume an incremental profit after tax from every US$10k increase in VLCC TCE of Rmb806mn based on the sensitivity to fleet capacity as of 1Q26.

Source: Goldman Sachs Global Investment Research, Datastream

Airlines & Airfreight

A lower oil price could reduce fuel costs for airlines and air freight. Our earnings sensitivity analysis **suggests China Southern Airlines earnings could see the greatest upside to an oil price decrease.** In our Commodities teams' Benign scenario, they assume Gulf exports normalize by Jul-26 end, one month earlier than their base case (by end of Aug-26), which leads to a US$10/bbl decline in oil price. Under such a scenario (Exhibit 12), our calculation suggests 2028E peak net profit for China South Airlines would be c.26% higher than our base case, followed by China Eastern Airlines/Air China at +18%/+16% above our base case, all else equal; For EAL, we expect c.4% earnings upside vs. base case (Exhibit 12).

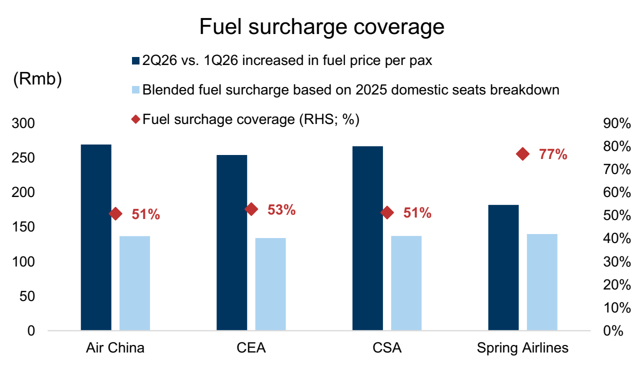
Exhibit 9: Airlines & Airfreight: Sensitivity to oil price with / without fuel surcharge



The above exhibits shows the negative / positive impact to net profit for every US$1/bbl higher / lower in oil price.

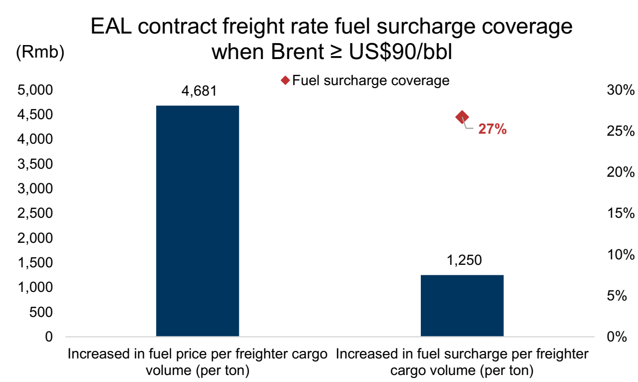
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: Chinese airlines fuel surcharge coverage



Source: WIND, OAG, Company data, Goldman Sachs Global Investment Research

Exhibit 11: EAL fuel surcharge for contract freight rate



Source: Datastream, Company data, Goldman Sachs Global Investment Research

Exhibit 12: Chinese Airlines and Airfreight 2028E peak earnings assuming Gulf exports normalize by Jul'26

	Upside scenario: Gulf exports normalize by End-July'26		
	Chg in oil price vs. base case US$/bbl	Scenario peak net profit Rmb mn	Scenario peak net profit vs. base case %
Air China	-10	15,466	16%
CEA	-10	12,307	18%
CSA	-10	11,376	26%
Spring	-10	3,793	4%
EAL	-10	2,510	4%

Airlines peak earnings in 2028E. For EAL, 2028E net income is peak earnings.

Source: Goldman Sachs Global Investment Research

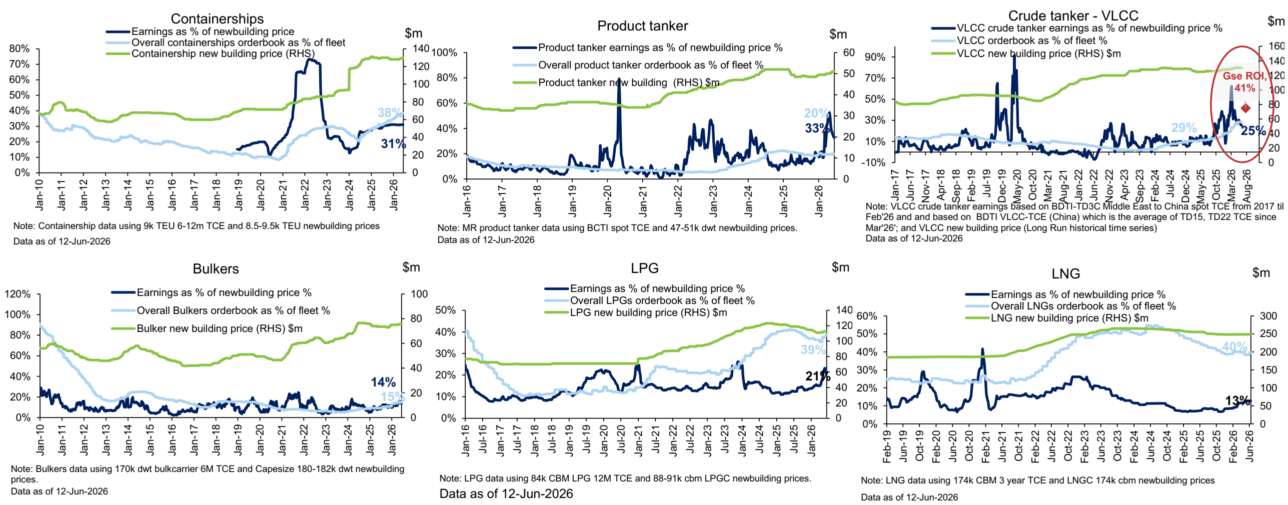
Shipbuilding

Exhibit 13: Global Shipbuilding key monthly data overview

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
New contract order volume (mn CGT)	**5.6**	**4.6**	**3.2**	**5.4**	**2.4**	**5.3**	**4.6**	**4.9**	**6.8**	**4.0**	**7.4**	**10.4**	**8.1**	**7.5**	**5.4**	**8.2**	**4.5**
MoM%	*10%*	*-18%*	*-30%*	*69%*	*-56%*	*122%*	*-15%*	*8%*	*37%*	*-40%*	*82%*	*41%*	*-22%*	*-7%*	*-29%*	*53%*	*-45%*
YoY%	*-29%*	*-22%*	*-42%*	*-35%*	*-47%*	*-62%*	*-9%*	*-31%*	*2%*	*-18%*	*40%*	*105%*	*46%*	*64%*	*67%*	*51%*	*88%*
New contract value ($m)	**14,353**	**15,015**	**9,468**	**17,917**	**8,679**	**16,974**	**13,645**	**12,472**	**19,027**	**13,488**	**23,579**	**33,029**	**24,001**	**21,650**	**14,968**	**25,358**	**16,562**
MoM%	*-11%*	*5%*	*-37%*	*89%*	*-52%*	*96%*	*-20%*	*-9%*	*53%*	*-29%*	*75%*	*40%*	*-27%*	*-10%*	*-31%*	*69%*	*-35%*
YoY%	*-21%*	*-6%*	*-35%*	*-34%*	*-53%*	*-56%*	*-13%*	*-41%*	*3%*	*-4%*	*48%*	*105%*	*67%*	*44%*	*58%*	*42%*	*91%*
Clarksons newbuilding price index	**189**	**188**	**187**	**187**	**187**	**187**	**187**	**186**	**186**	**185**	**184**	**185**	**184**	**182**	**182**	**183**	**185**
MoM%	*0.1%*	*-0.5%*	*-0.5%*	*-0.2%*	*-0.2%*	*0.2%*	*-0.2%*	*-0.2%*	*-0.4%*	*-0.4%*	*-0.3%*	*0.2%*	*-0.2%*	*-1.2%*	*0.0%*	*0.7%*	*0.9%*
YoY%	*5%*	*4%*	*2%*	*2%*	*0%*	*0%*	*-1%*	*-2%*	*-2%*	*-3%*	*-3%*	*-2%*	*-3%*	*-3%*	*-3%*	*-2%*	*-1%*

Source: Clarksons, Company data, Goldman Sachs Global Investment Research

Exhibit 14: Dynamic ROI vs. orderbook by ship type



VLCC Gse ROI based on our base case forecast for VLCC TCE (China) at US$150k/day.

Source: Clarksons, Goldman Sachs Global Investment Research

Container shipping

Though Containers have much smaller exposure to the Strait of Hormuz with only 4% of global seaborne trade transiting the Strait, we expect the reopening of the Strait of Hormuz could ease port congestion in other alternate ports and lower vessel speed, which could **introduce downside risk to the shipping rate. We see downside potential to container shipping should major liners resume their plans to return to the Red Sea**, which were suspended amid geopolitical escalation per Maersk and CMA CGM. Under a scenario where a full re-routing from the Cape to the Suez route, we estimate containership TEU-mile demand could be reduced by c.10% (see Dec-25 report). Under this scenario, we calculate that COSCO Shipping Holdings could see a lower unit cost of US$30/TEU benefiting from its cost advantage vs. peers while peers can likely only achieve break-even, and with this, estimate that COSCO could achieve a net profit of Rmb6bn after factoring in the contribution from ongoing stable port operations and interest income and investment income despite a loss from container shipping; which implies -48%/-3% net income/BVPS downside to our base case, all else equal. This translates to 0.8x/0.6x P/Bs for COSCO Shipping Holdings A/H shs (one s.d. below mid-cycle), implying 20%/32% downside as of Jun 15th, 2026.

Exhibit 15: COSCO Shipping Holdings scenario analysis assuming Red Sea reopening

Rmb mn (unless stated otherwise)	2026E	2027E
Base case net profit	**20,980**	**10,948**
Red Sea reopening case net profit		**5,804**
Container shipping		(2,687)
COSCO Shipping Port (1199.HK)		1,709
Net interest income		1,265
Investment income from associate/ JV (mainly contributed by stable port business)		5,517
Base case BVPS (Rmb)	15.54	15.80
Red Sea reopening case BVPS (Rmb)		15.40

Source: Goldman Sachs Global Investment Research

Price Target Risks and Methodology

Price Target Risks and Methodology - COSCO Shipping Holdings

We are Sell rated on COSCO Shipping Holding H/A. Our 12m price targets of HK$10.9/Rmb12.9 for CSH H/A are based on 0.6x/0.8x FY26E target P/BV multiples, which are lower than the historical average of 1.0X/0.6X to reflect a downcycle ahead. Key upside risks: 1) Stronger-than-expected cargo volume or slower supply growth; 2) Short-term disruption to the effective capacity and freight amid the reversal of rerouting; 3) Attractive dividend yield in 2026E and share buyback.

Price Target Risks and Methodology - Yangzijiang Shipbuilding

We are Buy rated on Yangzijiang and derive our 12-month target price of SGD 4.70 based on P/B vs. ROE valuation. We apply a target P/B multiple of 2.5x to our end-2026E BVPS. We derive the target P/B based on the cycle-average ROE of 24% and Cost of Equity of 10.2% with long-term growth of 1%.

Key risks: 1) Higher-than-expected steel prices; 2) More stringent regulations from USTR targeting Chinese-built vessels; 3) Larger-than-expected ASP decline; 4) Faster-than-expected capacity expansion from other shipyards.

Price Target Risks and Methodology - Guangdong Songfa Ceramics Co

Our 12-m target price of Rmb185/share is based on a 2028E P/E of 12x, based on the average of Chinese and Korean shipyards. Risks: Delays in ship delivery or new capacity release; Higher-than-expected steel prices; Less-than-expected new order wins; Lower-than-expected ASP; Stronger-than-expected RMB appreciation vs. USD; Faster-than-expected capacity expansion from other shipyards.

Price target methodology and risks - Eastern Air Logistics

Valuation methodology: We are Sell rated on Eastern Air. We derive our 12-month price target of Rmb12.0 based on a P/E of 7.5x our 2026E earnings. Our target multiple is based on a downcycle valuation of 7.5x (1 S.D. below the historical average) which represents a 25% discount to the upcycle valuation (10x). We adopt a P/E methodology in line with global peers (incl. major US airfreight carriers).

Key upside risks: 1) Higher-than-expected China outbound freight rate; 2) US de minimis exemptions for <US$800 packages from mainland China; 3) Higher-than-expected jet fuel price.

Price Target Risks and Methodology - Spring Airlines Co.

Valuation methodology: We are Buy rated on Spring Airlines with a 12-month target price of Rmb57.1. Our target price is based on an upcycle valuation 2026E P/B of 2.8x.

Key risks: 1) Macro uncertainties; 2) Slower-than-expected penetration into lower-tier markets; 3) Sustainability of subsidy; and 4) ESG regulations.

Price Target Risks and Methodology - China Southern Airlines

Valuation methodology: For CSA-H, we have a 12-month target price of HK$5.3 based on a 2.4x 2026E P/BV. For CSA-A, we have a 12-month target price of Rmb6.0 based on a 3.1x 2026E P/BV. We derive our target P/B multiples from our peak ROE forecast of

21% for the A-share; we then apply a target A/H premium of 46% to derive our H-share target P/B. We are Neutral rated on CSA-A and Buy rated on CSA-H.

Key upside risks (A share): 1) Slower-than-expected aircraft delivery; 2) Lower-than-expected jet fuel cost

Key downside risks: 1) Weaker-than-expected airfare performance, 2) Higher-than-expected jet fuel cost, 3) Worse-than-expected cargo yield.

Price Target Risks and Methodology - China Eastern Airlines
Valuation methodology: Our 12-month target price of HK$5.0 for CEA H is based on a 3.3x FY26E P/BV. For CEA-A, we have a 12-month target price of Rmb5.60 based on a 2.6x FY26E P/BV. We derive our target A-share P/B multiple from our peak ROE forecast of 22%; we then apply a target A/H premium of 50% to derive our H-share target P/B. We are Buy rated on CEA-A/H.

Downside risks: (1) Recovery uncertainties; (2) Supply higher than expectations; (3) Sustainability of subsidies.

Price Target Risks and Methodology - Air China
Valuation methodology: For Air China-A, we have a 12-month target price of Rmb8.6 based on a 3.6x 2026E P/BV. For Air China-H, we have a 12-month target price of HK$7.3 based on a 2.7x 2026E P/BV. We forecast a peak ROE of 24.6% and derive our target P/B multiple for the A-share, then apply a target A/H premium of 33% to derive our H-share target P/B. We are Buy rated on the A/H share.

Downside risks: 1) Slower-than-expected business travel recovery, 2) Weaker-than-expected earnings contribution from Cathay Pacific, 3) Higher-than-expected jet fuel cost, 4) Weaker-than-expected airfare performance.

Price Target Risks and Methodology - COSCO Shipping Energy
We are Buy rated on COSCO Shipping Energy A/H (600026.SS/1138.HK) with 12-month target prices of Rmb33.0/HK$30.0. We derive our TPs using a P/B methodology, using an estimated sustainable ROE to arrive at a theoretical target FY26E P/B of 3.1x for the A-shares. We then apply an H/A-share discount (20%) to derive our H-share target P/B of 2.5x.

Key downside risks: (1) OPEC output reduction; (2) More-than-expected capacity delivery; and (3) Softer oil consumption demand due to the weaker macro environment.

Disclosure Appendix

Reg AC

We, Herbert Lu and Wing Huang, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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Iran is subject to comprehensive sanctions by the United States.

Rating and pricing information

Air China (A) (Buy, Rmb6.52), Air China (H) (Buy, HK$4.90), COSCO SHIPPING Holdings (A) (Sell, Rmb14.49), COSCO SHIPPING Hol
HK$14.35), COSCO Shipping Energy (A) (Buy, Rmb19.25), COSCO Shipping Energy (H) (Buy, HK$16.95), China Eastern Airlines (A)
Eastern Airlines (H) (Buy, HK$3.72), China Southern Airlines (A) (Neutral, Rmb5.46), China Southern Airlines (H) (Buy, HK$3.90), Ea
(Sell, Rmb17.26), Guangdong Songfa Ceramics Co (Buy, Rmb158.40), Spring Airlines Co. (Buy, Rmb48.41) and Yangzijiang Shipbuil

**The rating(s) for Air China (A), Air China (H), COSCO SHIPPING Holdings (A), COSCO SHIPPING Holdings (H), COSCO Shippin
Shipping Energy (H), China Eastern Airlines (A), China Eastern Airlines (H), China Southern Airlines (A), China Southern Airl
Logistics, Guangdong Songfa Ceramics Co, Spring Airlines Co. and Yangzijiang Shipbuilding is/are relative to the other com
coverage universe:** Air China (A), Air China (H), COSCO SHIPPING Holdings (A), COSCO SHIPPING Holdings (H), COSCO Shipping E
Shipping Energy (H), COSCO Shipping Ports Ltd., China Eastern Airlines (A), China Eastern Airlines (H), China Merchants Port Holdi

Airlines (A), China Southern Airlines (H), Eastern Air Logistics, Guangdong Songfa Ceramics Co, Guangzhou Baiyun Intl Airport Co., Hainan Meilan Intl Airport, Hutchison Port Holdings, Shanghai International Port, Shanghai Intl Airport, Spring Airlines Co., Yangzijiang Shipbuilding

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Price target and rating history chart(s)

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Target price history table(s)

Yangzijiang Shipbuilding (YAZG.SI)

Date of report	Target price (S$)	Closing price (S$)
21-May-26	4.70	3.70
26-Feb-26	4.70	3.92
20-Jan-26	4.25	3.48
18-Dec-25	4.00	3.47
31-Aug-25	4.00	2.91

COSCO Shipping Energy (A) (600026.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
27-Apr-26	33.00	21.50
22-Mar-26	32.00	23.46
03-Feb-26	18.00	15.87
18-Dec-25	16.30	11.85
30-Apr-25	14.70	10.29
27-Mar-25	15.70	11.41
19-Mar-25	16.00	11.39
10-Jan-25	14.90	12.12
01-Nov-24	16.00	13.22
02-Sep-24	18.00	14.42
14-May-24	19.50	17.96
01-Apr-24	17.50	16.73
24-Jan-24	16.30	13.22
27-Nov-23	16.70	13.63
27-Oct-23	16.50	13.53
24-Sep-23	16.60	14.02

COSCO SHIPPING Holdings (A) (601919.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
30-Apr-26	12.90	14.12
23-Mar-26	13.50	15.38
18-Dec-25	13.30	15.37
04-Nov-25	16.00	15.03
03-Sep-25	14.70	15.16
07-Apr-25	14.20	12.74
27-Mar-25	15.40	14.49
19-Mar-25	15.30	14.26
12-Jan-25	15.20	14.14
03-Nov-24	15.10	15.44
01-Oct-24	13.80	15.71
14-Jul-24	10.30	13.54
14-May-24	9.90	13.96
02-Apr-24	8.90	10.57
09-Jan-24	8.60	9.71
09-Oct-23	8.40	9.79
31-Aug-23	8.50	9.80
04-Jul-23	8.40	10.13

COSCO SHIPPING Holdings (H) (1919.HK)

Date of report	Target price (HK$)	Closing price (HK$)
30-Apr-26	10.90	14.40
23-Mar-26	10.60	15.08
18-Dec-25	10.40	13.69
04-Nov-25	12.50	13.67
03-Sep-25	11.50	13.75
07-Apr-25	11.10	9.96
27-Mar-25	12.10	12.20
19-Mar-25	12.00	12.02
12-Jan-25	11.90	11.60
03-Nov-24	11.80	12.46
01-Oct-24	10.70	13.04
01-Sep-24	7.90	10.70
14-Jul-24	8.00	11.50
14-May-24	7.60	12.56
01-May-24	6.90	10.16
02-Apr-24	6.80	8.44
09-Jan-24	6.70	8.02
09-Oct-23	6.50	7.85

COSCO SHIPPING Holdings (A) (601919.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)

COSCO SHIPPING Holdings (H) (1919.HK)

Date of report	Target price (HK$)	Closing price (HK$)
31-Aug-23	6.60	8.05
04-Jul-23	6.70	7.70

China Eastern Airlines (H) (0670.HK)

Date of report	Target price (HK$)	Closing price (HK$)
06-May-26	5.00	4.09
21-Apr-26	5.10	4.22
02-Feb-26	5.80	5.40
18-Dec-25	5.10	5.35
15-Sep-25	3.70	2.94
05-May-25	3.30	2.33
14-Apr-25	3.50	2.41
19-Mar-25	3.40	2.72
07-Nov-24	3.00	2.37
22-Sep-24	2.70	1.77
01-Apr-24	3.00	1.95
06-Feb-24	3.20	1.91
29-Oct-23	3.70	2.68
07-Sep-23	4.10	2.67

Guangdong Songfa Ceramics Co (603268.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
27-Apr-26	185.00	138.92
02-Apr-26	169.00	116.99

COSCO Shipping Energy (H) (1138.HK)

Date of report	Target price (HK$)	Closing price (HK$)
27-Apr-26	30.00	17.73
22-Mar-26	29.00	19.21
03-Feb-26	16.00	14.20
18-Dec-25	10.80	9.92
30-Apr-25	8.80	6.16
27-Mar-25	9.40	6.84
19-Mar-25	9.60	6.60
10-Jan-25	8.90	6.74
01-Nov-24	9.60	7.43
02-Sep-24	10.60	8.68
14-May-24	11.50	10.80
01-Apr-24	10.30	8.11
24-Jan-24	9.60	7.65
27-Nov-23	9.80	7.84
27-Oct-23	9.70	8.12
24-Sep-23	9.80	8.57

Air China (A) (601111.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	8.60	6.84
21-Apr-26	9.40	7.15
02-Feb-26	10.90	8.19
18-Dec-25	10.30	8.94
15-Sep-25	9.60	7.79
05-May-25	8.60	7.07
19-Mar-25	8.80	7.44
07-Nov-24	7.10	7.75
22-Sep-24	6.40	6.30
05-May-24	7.10	7.38
01-Apr-24	7.40	7.51
06-Feb-24	8.10	7.17
29-Oct-23	9.10	7.73
07-Sep-23	9.80	8.24

Air China (H) (0753.HK)

Date of report	Target price (HK$)	Closing price (HK$)
06-May-26	7.30	5.00
21-Apr-26	8.00	5.29
02-Feb-26	9.20	6.80
18-Dec-25	8.20	7.05
15-Sep-25	7.30	5.19
05-May-25	6.50	4.65
19-Mar-25	6.70	5.32
07-Nov-24	5.50	4.65
22-Sep-24	4.90	3.04
05-May-24	5.50	3.99
01-Apr-24	5.60	3.80
06-Feb-24	6.20	4.28
29-Oct-23	6.90	5.31
07-Sep-23	7.50	5.68

China Southern Airlines (H) (1055.HK)

Date of report	Target price (HK$)	Closing price (HK$)
06-May-26	5.30	4.16
21-Apr-26	5.70	4.28
02-Feb-26	6.60	5.79
18-Dec-25	5.80	5.88
15-Sep-25	4.60	3.78
05-May-25	4.10	3.20
19-Mar-25	4.40	3.99
07-Nov-24	3.20	3.52
22-Sep-24	2.90	2.43
05-May-24	3.30	2.91
01-Apr-24	3.10	2.81
06-Feb-24	3.50	2.92
29-Oct-23	4.00	3.57
07-Sep-23	4.30	4.05

China Eastern Airlines (A) (600115.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	5.60	4.42
21-Apr-26	5.80	4.63
02-Feb-26	6.70	5.48
18-Dec-25	6.60	5.73
15-Sep-25	5.10	3.98
05-May-25	4.60	3.69
14-Apr-25	4.80	3.74
19-Mar-25	4.70	3.76
07-Nov-24	4.30	4.04
22-Sep-24	4.00	3.54
05-May-24	4.50	3.84
01-Apr-24	4.60	3.71
06-Feb-24	4.70	3.75
29-Oct-23	5.20	4.24
07-Sep-23	5.70	4.29

Eastern Air Logistics (601156.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	12.00	16.34
21-Apr-26	11.60	17.18
18-Dec-25	11.80	17.86
02-Oct-25	10.70	15.75
24-Apr-25	9.90	12.38
07-Apr-25	9.40	12.50
19-Mar-25	9.60	14.28
05-Nov-24	17.20	17.77
24-Sep-24	17.70	15.72

Spring Airlines Co. (601021.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	57.10	47.17
21-Apr-26	59.20	48.70
02-Feb-26	61.10	55.21
18-Dec-25	59.20	55.45
15-Sep-25	63.30	52.46
05-May-25	60.50	53.68
19-Mar-25	62.30	52.31
07-Nov-24	64.50	58.91
22-Sep-24	60.80	49.50
05-May-24	67.50	56.79
06-Feb-24	64.80	53.68
14-Nov-23	65.20	52.59
31-Oct-23	62.10	54.75
07-Sep-23	58.40	54.25

China Southern Airlines (A) (600029.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
06-May-26	6.00	5.51
21-Apr-26	6.50	5.78
18-Dec-25	7.40	7.59
15-Sep-25	6.20	6.03
05-May-25	5.50	5.62
14-Apr-25	5.90	5.74
19-Mar-25	6.00	5.92
07-Nov-24	4.30	6.37
22-Sep-24	4.10	5.39
05-May-24	4.60	5.67
01-Apr-24	4.40	5.73
06-Feb-24	4.90	5.63
29-Oct-23	5.70	6.09
07-Sep-23	6.20	6.25

Price targets shown in table(s) are unadjusted for corporate actions.

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