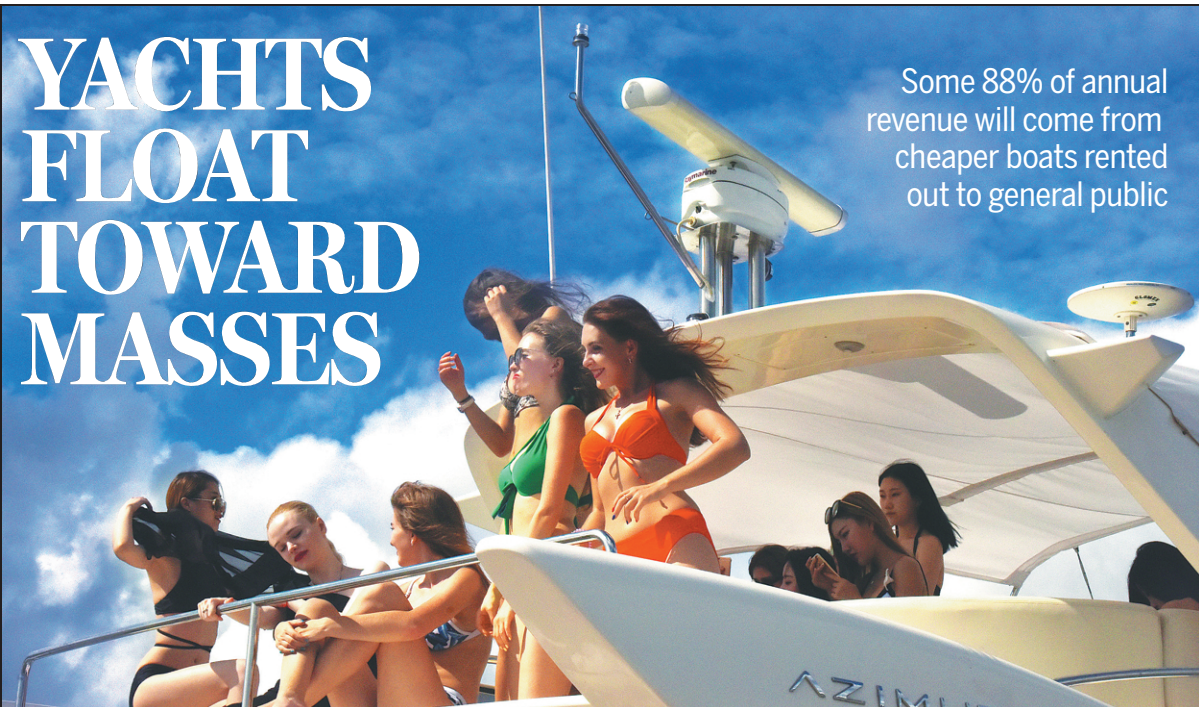


YACHTS FLOAT TOWARD MASSES



Some 88% of annual revenue will come from cheaper boats rented out to general public

Models sunbathe on the deck of a recreational yacht show in 2015 in Sanya, Hainan province. PROVIDED TO CHINA DAILY

By SHI JING in Shanghai
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Sales of yachts are down due to slowing economic growth and the government's austerity policies, but yacht clubs have found a new way to generate income: boat rentals.

According to Yang Xinfu, deputy secretary-general of the China Association of the National Shipbuilding Industry, the yacht industry has been undergoing a sharp decline in the past five years.

Up to 75 percent of Chinese yacht companies are fulfilling fewer orders and fewer people are visiting boat shows.

"Boat rental is probably the key to solve the current deadlock," said Yang. And the central government shares a similar view on this.

During an executive meeting of the State Council in October 2016, Premier Li Keqiang reiterated the importance of expanding domestic consumption in various business segments. With regard to the shipbuilding industry's segments, he said yacht rentals could be one way

to ensure domestic consumption increases.

Actually, there are some industry pioneers who have already tested the waters. Fujian Yihong Yacht Co Ltd, the first company of its kind to be listed on the National Equities Exchange and Quotations in February 2016, launched its boating experience project in partnership with online travel agency Lvmama in Shanghai, Sanya and Xiamen in May 2016. Priced only 328 yuan (\$47) per person, the experience is aimed at the mass market.

According to Fan Liwei, director of Yihong, the Chinese yacht market will hit 40 billion yuan annually for the next 10 years. Most of that — roughly 35 billion — will be accounted for by cheaper boats that cater to the general public. This is the major reason that Yihong is exploring the rental market, said Fan.

Lizhi Wisdom Club, formerly known as Bahrfuss Yachting Sales Co Ltd, has a history of more than 16 years in Shanghai. The company's boat rental business has grown steadily over the years. By the end of

40 billion yuan

estimated annual value of the Chinese yacht market in the next 10 years

2016, the boat rental business has generated one-third of the company's annual income.

Rental charges are fixed according to the size of the boat and range from 4,000 yuan to 12,000 yuan an hour. A 55-feet (16.76-meter) yacht that can accommodate 10 people, for example, costs 8,000 yuan an hour in the off-peak time and 10,000 yuan during peak hours.

According to Lu Xiaoya, sales director of Lizhi Wisdom, most of the clients rent the boats to entertain business partners. A growing number of the clients have also rented the boats for marriage proposals, baby showers and parties.

"The boat rental business can

help us find more potential clients. In the past, our boats were mainly used for going out to sea. But now we have added more Chinese characteristics such as karaoke and banquets, which Chinese clients prefer. They therefore use the boats more frequently and become members later," she said.

As a major domestic yacht builder, Shanghai Double Happiness Yacht Co Ltd started its boat rental business in 2013. Currently this part of business is still in an embryonic stage as General Manager Zhou Juan has some concerns about the lack of regulations surrounding boat rentals.

She said: "In mature markets, yachts are categorized as either private or commercial. Shipbuilders have to build boats based on different requirements. In China, all the regulations are made for privately owned boats. There are still no laws for commercial-use yachts.

"But in the long run, yachts will be inevitably attractive to more customers, especially in first-tier cities."

Capital markets may anchor weak sector

By SHI JING in Shanghai

Industry insiders have realized that support from capital markets will be key to the restructuring and reinvigoration of the Chinese yacht industry.

Fu Yuanzhuang, director of the Hainan Yachting Association, said that the yacht industry is made up of many interlinked processes from boat design and shipbuilding to the construction of peripheral facilities and sales.

By introducing creative financial products catering to these different parts of the yacht business, the industry will be able to enjoy more sustained growth.

The Hainan branch of the Industrial and Commercial Bank of China did just that when it introduced the personal yacht loan in September 2015. With this, the maximum amount of a single loan is 5 million yuan (\$721,500), with the longest loan term being 10 years. The loan can be used to buy yachts sold by manufacturers or dealers, and yacht berths sold by yacht service providers.

Similarly, Shenzhen-based Sunfo Financial Services Co Ltd started to provide yacht loans in October. Mainly targeting the smaller boats priced at around 1 million yuan each, the company allows buyers to pay 50 percent of the total price to obtain ownership of the boat. The interested buyer will first make a loan request to Sunfo Financial. As the intermediary agent, Sunfo Financial will then seek a public fundraising for this loan request.

Yan Changshi, vice-president of Sunfo Capital Management Group, parent company of Sunfo Financial said, yacht consumption is in the early stage in China. There is hardly any bubble in the market and so the risk is lower.

Meanwhile, there are very clear rules for yacht berthing. There is little chance that the buyer will abscond with the boat, so the risk of default will be lower.

“The people who can afford yachts are mainly those with high personal wealth.”

Yan Changshi, VP of Sunfo Capital Management Group

5 million yuan

value of the maximum amount of a single loan for yacht by Hainan branch of the ICBC

"The people who can afford yachts are mainly those with high personal wealth, high repayment ability and good credit, all strong support for yacht loans," said Yan.

Seeking capital from the stock market is a more direct way. By 2016, there were four yacht companies that listed on the National Equities Exchange and Quotations.

Although the market is sluggish in general, these listed companies managed rapid growth.

The total net assets attributable to shareholders of Nantong Suma Ship Equipment Manufacturing Co Ltd, which went public in March 2016, reached 12 million yuan in the first half of 2016. Fujian Yihong Yacht Co Ltd, which went public in February 2016, saw its sales in the first half of 2016 reach more than 69 million yuan, up 3.32 percent year-on-year.

Yang Baomin, a senior member of the China Commercial Real Estate Association, said: "The yacht industry should receive more attention from capital markets."

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