



Rijksdienst voor Ondernemend
Nederland

*Sector Yacht Building
China
NBSO Qingdao*

*>> Duurzaam, Agrarisch, Innovatief
en Internationaal ondernemen*



Colofon

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Opgesteld door:
NBSO Qingdao & Consulaat-Generaal Guangzhou
Contactpersonen:
Roland Brouwer & Sarah Xiao NBSO Qingdao : nbsqingdao@nbsqingdao.com
Coco Li Consulaat-Generaal Guangzhou: Coco.Li@minbuza.nl
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Brief Introduction of the Region

China has considerable waters that could be used for yachting/sailing, including 90,000 lakes, more than 6,500 islands and an 18,000 kilometer-long coastline. In addition, the four major river systems of the *Yangtze, Pearl, Yellow and Heilongjiang Rivers* can all be used for yachting / sailing. But they are also used by commercial traffic, and water quality in many areas is not good enough. Therefore China lacks suitable scenic areas for yachting now. It can be improved with the maturation of the yachting industry. With increasing demand, there is huge potential to develop the 'water market', including the yachting market in China.

Yacht Building Industry

The yacht building industry in China is engaged in yacht construction activities. The main activities of this industry include design, construction and repair of yachts and related components.

According to IBISWorld Industry Report, due to the increasing foreign and domestic demand, the boat building industry developed rapidly in the five year period through 2014, with industry revenue increasing at an annualized rate of 10.9%. There are around 300 yacht builders in China concentrated along the coast. Among them, more than 30 builders' annual output value is above 10 million RMB. There are many more boat builders which produce yachts as part of their products offerings, including sightseeing ferries, and speedboats. Very few manufacturers concentrate solely on leisure yachts. Large professional yacht manufacturers are either foreign or state-owned companies.

Yacht production in China is concentrated mainly along the Eastern coastline. Guangdong (mainly in the cities of Zhuhai and Shenzhen) and Shandong (mainly in the cities of Qingdao, Yantai and Weihai) Provinces have the greatest concentration of yacht manufacturers. Zhuhai (Pingsha) Yacht Industrial Zone in Guangdong Province is the largest in terms of scale and has the highest concentration degree in China at present. So far this zone has gathered 24 yacht manufacturers and supporting enterprises (statistics from 2014). In addition, China State Shipbuilding Corporation has invested 4.3 billion Yuan in Nansha District, Guangzhou, with the intention of constructing the biggest shipbuilding base in Southern China, which lays a solid foundation for the development of the yacht industry in Guangdong. Relatively speaking, there are more foreign companies located in Guangdong Province. Shandong Province has more advantage on labor cost and there are also an increasing number of large manufactures. In 2012, Weifang Diesel Engine Group, a subsidiary of China Shandong Heavy Industry Group, acquired a controlling stake in the world's largest luxury yacht maker Ferretti, which brought a high-end yacht manufacturing base to Shandong.

Most component producers are also concentrated in these two provinces. Other key coastal cities and provinces which have yacht manufacturers include Zhejiang, Jiangsu and Shanghai. There are also scattered shipyards in other coastal areas such as Hainan, Fujian, Hebei and Liaoning provinces.

Leading Yacht Manufacturers

Domestic yacht builders are very competitive in the small boat segment and mainly involved in export. For super yacht manufacturing, most local manufactures lack expertise in design and knowledge. Production quality is also a challenge. But this has been improving continually, especially amongst the top domestic companies.

Leading yacht manufactures in China include, but are not limited to the following:

Company Name	City, Province	Website
Sunbird	Changsha, Hunan Province	www.cnsunbird.com
DHS (Double Happiness)	Shanghai	www.dhsyacht.com
Yihong Group	Xiamen, Fujian Province	www.yihonggroup.com
Kingship	Hongkong	http://kingship.com
HeySea	Hongkong	www.heysea.com
Qingdao Haoyun Boat	Qingdao, Shandong Province	http://www.hyboats.com/
Minghui Yachting	Wendeng, Shandong Province	http://www.sdmhyt.cn/
Weihai Sun Selections	Weihai, Shandong Province	http://www.sunselections.com.cn/en/

Yacht Markets

Major yacht markets in China are in the more economically developed coastal provinces. There are three key regions that can be identified:

- Eastern China: most activities are in Shanghai, with some activities in nearby Suzhou (Jiangsu Province), Nanjing (Jiangsu Province) and Hangzhou (Zhejiang Province);
- Northern China: primarily centered around Qingdao (Shandong province), with some activities in Dalian (Liaoning Province) and Tianjin;
- Southern China: main areas for yachting are Guangzhou, Shenzhen (Guangdong Province), Xiamen (Fujian Province) and Hainan Island, with some activities in Zhuhai (Guangdong Province).

In recent years, the number and value amount of imported yachts keep increasing gradually. According to data from the China International Boat Equipment Exhibition Organizing Committee, China's import and export of yachts is \$470 million in 2013, an increase of 25.7% compared to 2012. Imports of yachts increased 24.1% to reach the value of \$ 218 million. The import of smaller yachts is relatively larger.

Top export countries of yachts to China include UK, Italy and France, other export countries include US, Taiwan, Australia, Canada, Japan, Germany, Spain, Sweden, Norway, and the Netherlands. According to IBISWorld industry report in 2014, boats imported from the Netherlands to China reached 30.3% of total industry imports in 2013, (Italy 16.5%, the United Kingdom 15.2%, the United States 12.9%, and France 12.0%). The percentages change greatly year on year.

The effective tax rate for importing a yacht is about 43% of total purchase price (including import tariffs, VAT plus consumption tax) which presents a significant hindrance to potential market growth.

Supply Chain

Yacht sales are dominated by distributors and agents. There are around 100 foreign yacht brands marketed through around 40 distributors. Yachts sold through distributors primarily come from Italy, France, US, Australia, Sweden, Norway and the Netherlands.

Yacht distributors in China are fragmented and highly localized and focus on regional clients. They are mainly concentrated in coastal cities such as Shanghai, Qingdao, Shenzhen, and Guangzhou. Many of the best agents are owned by or affiliated with yacht clubs, which sell a variety of brands.

Main Fairs

Name	Location	Website
CIBS	Shanghai	http://www.boatshowchina.cn/
Yacht CN	Guangzhou	http://www.yachtcn.net/
SIBEX	Shenzhen	http://www.sibex.net.cn/
Rendezvous	Hainan	http://www.china-rendezvous.com/
Xiamen Boat Show	Xiamen	http://www.xmboatshow.com
China International Sailing Expo	Qingdao	http://www.chinaboatsexpo.com/En/index.asp
Dalian Yacht Exhibition	Dalian	http://www.dxce.com/Special/a/boatshowdalian.shtml

Among these fairs, CIBS (China International Boat Show) held in Shanghai is one of the most important boat shows in Asia with a 20-year history (2015). China International Sailing Expo held in Qingdao gets strong support from the local government.

Main Associations

Associations within the sector are mainly set up in coastal cities which have the most manufactures and market potential.

Main associations are listed below. There are many other yacht associations from provincial level, like the Liaoning Yacht Association, to municipal level, like the Weihai Yacht Association and the Dalian Yacht Association, but no websites are available.

- China Cruise & Yacht Industry Association
Website: www.yachtchina.org
- The Yacht Branch of Shanghai Cruise Ship & Yacht Association
Website: www.scsya.org
- Guangdong Yacht Industry Association (GYIA)
Website: <http://www.gdytxh.com/>
- Shenzhen Yacht & Sailboat Industry Association
Website: www.sysia.cn
- Xiamen Yachting Industry Association
Website: <http://www.yachtxm.cn/>
- Qingdao Boat Manufactures Association
Website: <http://www.qdytxh.com/>

Regulations

The Maritime Safety Administration is the only authority in charge of yacht registration. There is limited centralized legislation for yachting in China. In general, pleasure boats are treated the same as other commercial vessels.

The Ministry of Transport issued the Administrative Provisions on Safety of Yachts in 2009, and the Guidelines on the Administrations of Safety of Yachts (Guidelines) were issued by the Maritime Safety Administration (MSA) in 2010. The Guidelines have liberalized conditions of yacht registration and simplified procedures of entry and exit of overseas yachts. In 2013, MSA updated the Yacht Statutory Inspection Provisional Regulations upon the version issued in 2009. New regulation further regulates the yacht inspection and issuance of certificates. At the same time, it encourages research and applications with new features of yachts.

There are three core certificates needed to be applied for to import a yacht: certificate of nationality, certificate of ownership, and ship inspection certificate. The first two certificates require providing import contract materials, customs documents, etc. For the ship inspection certificate, drawings and technical documents, as well as performance-related checking documents are required.

Yacht sailing is divided into four categories based on different classes of yachts, namely Class A, B, C and D yachts. Different navigation areas correspond to a different type of category. The category will be marked on the ship inspection certificate.

In general, to encourage this industry, many barriers related to yacht ownership have been removed with the implementation of clearer regulations on marine traffic. Meanwhile, local governments, especially those in coastal areas, are making their own rules locally and taking efforts to regulate the industry to make the location a more attractive place for leisure yachting.

Trends

According to the financial intelligence agency Wealth-X, China already has about 11,000 “super-rich” (person with more than 30 million US dollars of assets), but there are currently only 1,500+ yacht owners in all of China. At present, most market demand in China is for yachts under 49 ft (<15m), and there is a limited demand for super yachts (>79', or >24m).

There are huge differences in customer preferences between China and western countries. The key drivers for the use of leisure boats in China are corporate use, sightseeing, party activities and fishing. Most Chinese use their yachts for business entertainment purposes, and do not necessarily enjoy yachting as a sport or family activity. Since Chinese don't have a culture of “enjoying the water”, card/mahjong tables, karaoke machines, and larger shades for the flying deck, etc. are normally preferred by Chinese customers.

Opportunities

- **Export yachts to China:** Although China has a very different water culture compared to western countries, local demand increased rapidly in recently years. Local government encourages the development of the yachting industry as well. Chinese recognize the Netherlands as a country with a long history and special strengths on trading and yachting. There are opportunities to sell Dutch brands in China.
- **Training:** Most of the current Chinese yacht owners normally lack the expertise in sailing and yachting to fully enjoy it. Training as an additional service provided to customers will therefore be a good added value.

- Export know-how to China: Most Chinese manufacturers are low-end product suppliers. They want to upgrade their manufacturing but lack expertise, knowledge, and relevant training, etc. Dutch companies can provide know-how and services to such local companies.
- Manufacture in China: With lower labor cost, and increasing local demand, China can be a base for manufacturers to get closer to production resources and potential markets. To make the industry more competitive in international markets, the Chinese government encourages foreign investment with advanced designing capabilities and technologies to enter the industry.

Contact Information

NBSO Qingdao

A-2505, TOP Yihe International
10 Hong Kong Middle Road, Shinan District
Qingdao 266071, P.R. China
T. +86-(0)532-6677 7515
E. nbsqingdao@nbsqingdao.com
W. www.nbsqingdao.com

CG Guangzhou

34/F, Teem Tower, 208 Tianhe Road,
Guangzhou, P.R.China
T. +86 20 38132225
F. +86 20 38132299
E. gnz-ea@minbuza.nl
<http://guangzhou.nlconsulate.org/>

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Rijksdienst voor Ondernemend Nederland
Postbus 93144 2509 AC Den Haag
www.rvo.nl