

HK ship owners seize chance as Africa trade soars

Slump in price of vessels offers opportunity to build fleets and serve continent's smaller ports

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Burgeoning trade between China and Africa and sales by German shipping investment funds have combined to create opportunities for two fledgling Hong Kong ship owners.

Tribini Capital and Mandarin Shipping have both acquired container ships from distressed-ship investment vehicles in Germany in the past few months and chartered the vessels to larger shipping lines operating between Asia and Africa.

Cargo volumes from Asia to Africa are growing two to three times faster than volumes between Africa and Europe or North America, shipping experts said. The growth is being fuelled by African consumer demand for Chinese-made mobile phones and other products including chemicals, and by commodity demand in Asia.

The ship owners, owned by separate investors, found they were competing against each other to acquire their ships, with Tribini Capital losing out to Mandarin for two vessels.

Mandarin Shipping director William Fairclough said although the company was not exclusively focused on the container ship sector, "we do see opportunities

there given the current problems in the German KG market".

KGs are closed funds that use private investment, mainly from professionals such as doctors and dentists, and bank loans to finance specific investments including in real estate and ships.

But vessel values have slumped since the shipping downturn started in 2008, leaving KG investors facing significant losses that have been exacerbated by long-term charterers returning vessels early or renegotiating charter rates at lower levels. Many funds have closed and sold their vessels.

Fairclough said there were now more opportunities and value in the container and bulk carrier markets, where values are at historic lows.

"We do not have any plans to look at tankers, gas, or the offshore market," he added.

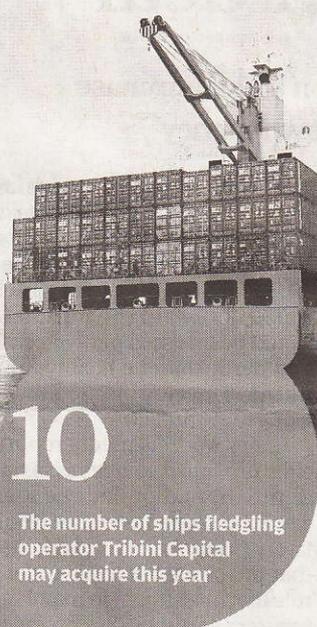
The first two ships acquired by Mandarin are 2,100 teu (20-foot equivalent unit) container ships with cranes that are sailing between South China and Africa.

The ships were identified as able to serve a niche market thanks to their suitability for restricted-draft ports in Africa where cargo handling gear is also needed, and were recently chartered out to a major shipping line.

"There is no specific fleet size we aim for," said Fairclough. "It will all depend on the opportunities which are available, but we have certainly got ambitions to build Mandarin into a significant Hong Kong-based ship owner."

Thomas Söderberg, director of Tribini Capital, said the firm is aiming to acquire between five and 10 second-hand container ships by the end of this year. It currently owns and operates the 2,113 teu Kota Mesra, which has been chartered to Singapore's Pacific International Lines and is operating between China and West Africa.

"We are overall expecting to give the investors an internal rate of return in excess of 20 per cent," said Söderberg, a 25-year shipping veteran who previously worked for Maersk and HSBC Shipping Services. "I don't think it is the right time for a recovery in shipping, but it is the right time to buy assets."



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The number of ships fledgling operator Tribini Capital may acquire this year

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