

Wah Kwong the next generation

Sabrina Chao tells **Dexter Yan** why no-one should write off Hong Kong as a shipping powerhouse

> Sabrina Chao is one of a third generation of wealthy shipowning families in Hong Kong. After taking the helm of Wah Kwong Maritime Transport Holdings as chairman in January, she talked to *Fairplay* in a manner that left an impression that she was the natural choice to run the 60-year-old family enterprise: she has clearly inherited the prowess her family has developed in the past six decades.

Frequently in conversation Chao was ready to share tips on running a shipowning company. The suggestion was that these may have been passed down through the generations from her grandfather, TY Chao, who founded Wah Kwong in 1952.

Her company's central strategy of maintaining a very young fleet is not always possible to put into effect, as it depends on market circumstances. Nonetheless, the fleet age can be averaged down by taking advantage of low asset prices to add more tonnage as newbuildings instead of disposing of old vessels and acquiring younger ones, she said.

As for newbuildings, "Some of the people who have been in shipping for a long time have said you don't build very good ships in a good market," she said. "It's only in the bad market that the best quality ships get built."

Another piece of inherited wisdom followed: fix with people with genuine cargoes instead of speculators. "Our chartering strategy is always to fix with blue-chip companies. That is one of the reasons why our company has weathered the downturn so well," she said. These charterers are financially sound and have genuine use for the ships. In contrast, speculators tend to run into cashflow problems quickly when the market suddenly turns.

As perhaps the youngest individual at helm of a family enterprise in the traditionally conservative shipping world of Hong Kong, Chao adopts a different approach to the use of unconventional tools such as electronic social media, suggesting all shipping executives should start looking into them.

Social media is important everywhere, she insisted, not just in the maritime industry, as it is a very good and economic tool. Notwithstanding, she revealed that she needed a little help from younger people to deal with this new cyber world. "Honestly I am a little bit new to all the social media and I rely on some of my younger colleagues for help on Weibo or Twitter."

Talking about Hong Kong's seeming loss of appeal to the world's shipping community, Chao agreed it was important for the city to try to retain its position as an international centre with maritime featuring centrally, but acknowledged that it had become too property-heavy to be such an international centre any more.

Natural advantage

"It is such a shame for Hong Kong to lose its position as an international maritime centre," she said. "In the last shipping boom, it has become all about China. Given Hong Kong's proximity to China, we have a natural advantage over Singapore because we are so much closer to where the action is."

Chao believes her family's core business will continue to be shipping, although Wah Kwong has always had interests in other businesses. "Wah Kwong has never considered leaving shipping because we take pride in what we do and we are good at what we do," she said. "It is a legacy we want to continue."

And she has a firm belief that there is no business as exciting as shipping. "Once you are in the business and once you are exposed to the scope of this business, it is very hard to find another industry that can compare with it."

Shipping may not be the most profitable business in the world, she said, but it is definitely the most interesting. "Because the dynamics of shipping is just so huge, anything from the weather to politics to a financial crisis can have an impact on the business," she said. "That makes our industry interesting forever."

As far as profitability and risks are concerned, Chao admitted the industry was so cyclical that shipping companies were diversifying into other businesses to hedge against the potential risks. "That is a decision every company's leader will have to make," she said.

Speaking of the continuing shipping crisis, she acknowledged it was the worst downturn many of the shipping industry insiders had experienced in their careers and reflected: "We would do well to listen to some of the old hands."

She recounted an example from 2000. At that time an "incredibly smart" investment banker from New York was in town to market to shipowners the potential of not issuing bonds but instead buying distressed bonds on which the issuers had defaulted. "The chairman of the Hong Kong Shipowners Association at the time commented that it was perhaps a little too risky for the traditional shipowners of the Hong Kong shipping community," she said.

"Perhaps the traditional Hong Kong shipowners are a little too conservative for some of the more exotic financial instruments we are sometimes offered. But we have been around for a long time. And most of us have pretty successful, stable shipowning companies." ■

> In the spotlight: Sabrina Chao

Age: 38

Current position:

chairman of Wah Kwong Maritime Transport Holdings, executive committee member of the Hong Kong Shipowners Association, trustee of Hong Kong Maritime Museum, director of the Britannia Steamship Insurance Association

Career:

2002: Wah Kwong Holdings Group
2001-02: Galbraith's Shipping Course in London, subsequently with Tanker International, Britannia P&I Club, Bureau Veritas
1996-2001: finance positions with Jardine Fleming and PricewaterhouseCoopers

Education:

1996: BA in mathematics and management, Imperial College London

'We take pride in what we do and we are good at what we do. It is a legacy we want to continue'