HONG KONG
MARITIME AND PORT BOARD
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HONG KONG SEAPORT ALLIANCE

MASTERY OF THE COLD CHAIN REAPS RICH REWARDS

The Hapag-Lloyd-operated containership ITAJAI Express arrived at the Kwai Tsing terminals in February 2024, with 1 941 active reefer containers of Chilean cherries. The delivery represented the highest number of cherry containers discharged from a single vessel call, and surpassed last season's record by 59%.

Hong Kong, the largest trading hub for fresh fruits in South China, is widely acknowledged as the preferred port for fruit shipments across the border. Afforded the flexibility that comes with Hong Kong's unique free port status, the port has been successfully catering to Mainland China's growing appetite for fresh Chilean cherries and Thai durian since 2020. When the quartet of terminal operators at Kwai Tsing, Hongkong International Terminals (HIT), Modern Terminals, COSCO-HIT and ACT, formed the Hong Kong Seaport Alliance (HKSPA) in 2019, it effectively unleashed the full potential of its cold chain operations.

Deploying over 7 800 reefer points – more than any other terminals in southern China – HKSPA has set the standard in the cold chain logistics industry and is the leading conduit for shipments of Chilean cherries and Thai durian to Mainland Chinese markets.

To capitalise on cold chain opportunities, HIT implemented its Remote Reefer Container Monitoring System, enabling automated remote management of refrigerated containers, delivering visibility and precise monitoring of vital container conditions like temperature, humidity, and CO_2 levels. With this initiative, HIT ensures the freshness and efficacy of temperature-controlled essentials throughout their journey, thereby providing seamless logistics solutions for its partners.

Ivor Chow, Managing Director of HIT said, "We are committed to digitalising our terminal operations and the Remote Reefer Container Monitoring System roll-out is part of our plan to enhance the operational efficiency and competitiveness of the port, while solidifying Hong Kong's leading status in the cold chain logistics industry.

Due to enhanced port efficiency and supreme connectivity, consignees collect shipments immediately after discharge and be heading out within 15 minutes.

Simple, convenient and fast customs procedures means Shenzhen is an hour away, while one of the world's largest fruit outlets, Guangzhou's Jiangnan Wholesale Fruit and Vegetable Market, is just four hours by road. It is this level of service that makes Hong Kong the main gateway to Mainland China for fruit shipments.

Horace Lo, Group Managing Director of Modern Terminals Limited said: “In this season (2023/24), around 50% of all the containers from the Cherry Express ships exited our terminal within an hour from being discharged from the ship. An amazing 90% of the containers left the terminal within one day of being discharged from the ship. Nothing beats Hong Kong’s efficiency and service levels!”

Last year Mainland China imported 334 000 metric tonnes of Chilean cherries valued at US$2.55bn. Meanwhile, exports of Thai durian to Mainland China surged to approximately 929 000 metric tonnes, worth up to around US$4.57bn in 2023.

HIGH-END MARITIME SERVICES – SURGE IN SHIP MANAGEMENT SERVICES

Global shipping faces important long-term challenges: a need to digitalise operations, the IMO-set imperative to reach zero carbon emissions by 2050, and a chronic shortage of seafarers. Traditionally, only the best shipowners have in-house resources to cope with these challenges, making the services offered by third-party ship managers in greater demand than ever.

Hong Kong’s low, simple tax regime, sound legal framework and arbitration arrangements, and efficient access to finance and essential maritime services have always been a magnet for third-party ship managers. Hong Kong’s attractiveness was further augmented in 2022 when the Government introduced a 50% reduction in profits tax (8.25%) for ship management businesses.

Hong Kong has a well-developed ship management industry and is home to many renowned and established shipping service providers. The world’s largest ship managers, Fleet Management and Anglo-Eastern Ship Management, manage a combined fleet of nearly 1400 vessels and celebrate their 30th and 50th anniversary in the territory this year. The Wallem Group, which first opened its Hong Kong office nearly a century ago and is currently the ninth-largest ship manager, pioneered the concept of ship management. As of November 2023, other ship managers with a significant presence in Hong Kong and ranked by Lloyd’s List include Bernhard Schulte Shipmanagement (BSM) (5th) and Seacon Group (10th).

Size matters

The size and cluster of the largest ship managers in Hong Kong offer economies of scale unavailable to individual many shipowners. With their large fleets containing all classes of vessels, the ability to gather data across all areas of a ship’s operation has led to important breakthroughs in operational efficiency and reduced fuel consumption. Cost savings from data procurement and analysis are invaluable in complying with the torrent of new regulations required during a period of rapid change in the industry.

Seafarers

The International Chamber of Shipping and BIMCO estimated the industry is facing a shortfall of 89 510 officers by 2026. It also noted that 800 000 seafarers need training in the safe use of alternative fuels. Hong Kong's top two ship managers alone collectively employ more than 64 000 seafarers. With the creation of cutting-edge training centres and academies, these companies and their close rivals have effectively steered the market in seafarer training, recruitment and retention.

Ship managers in Hong Kong often adopt disparate approaches to grow their businesses. Fleet Management has relied almost entirely on organic growth - while occasionally dipping its toe into joint ventures. Anglo-Eastern on the other hand has often embraced the acquisition of competitors which foster rapid business expansion.

Wah Kwong Transport Holdings, renowned as a dynastic Hong Kong shipowner, expanded into ship management in 2019. Since then, it has gained a fleet of 79 ships through its business network in Mainland China. Seacon Group, a Qingdao-headquartered shipowner and ship manager, listed in Hong Kong in March 2023, and has subsequently grown both its owned and managed fleets.

Hong Kong ship managers have unanimously endorsed the Government's favourable tax regime. This augurs well for the territory's business retention and expansion as the industry continues its journey through shipping's fourth revolution.

ENHANCEMENTS TO THE TAX INCENTIVES
FOR THE MAERITIME SECTOR UNDER CONSIDERATION

It has long been Government policy to facilitate the growth and enhancement of Hong Kong as an international maritime centre (IMC).

Beginning in 2020, the Hong Kong Government successfully rolled out a series of tax concessions to selected sectors of Hong Kong's maritime ecosystem. These incentives have proved popular among targeted businesses operating within the IMC whilst prompting considerable interest from the global shipping industry.

With a view to the possible enhancement of such tax incentives, a newly constituted Task Force on Maritime Business Tax Incentives has been established and held its first meeting on 28 March 2024.

The Task Force's assessment of maritime-related tax incentives will be undertaken within the context of an evolving global business and international tax landscape. The Task Force will be particularly occupied with tax issues related to BEPS 2.0 (Base Erosion and Profit Shifting). The study will be conducted against the background of the Government's commitment to implementing BEPS 2.0, which was also highlighted in the Government's 2024/2025 Budget.

In line with the Budget announcement, the Government aims to apply a global minimum tax rate of 15 per cent on multinational enterprises with annual consolidated group revenue of not less than EUR750 million (HK$6.25 billion approx.). The Hong Kong minimum top-up tax will be implemented from 2025 onwards. It is expected that a legislative proposal will be submitted to LegCo during the second half of 2024.

The Task Force's consultancy study will also examine the viability of introducing new tax concessionary measures for key maritime business sectors with a strong potential of attracting more international maritime players to Hong Kong, such as physical commodity trading. Therefore, over the coming year, the consultancy study will produce a report that reviews the current tax regime in Hong Kong in relation to shipping activities and explores further tax incentives to maintain the competitiveness of Hong Kong's tax regime.

The Task Force aims to conclude its assessment by early next year.

Upcoming events:

- Asian Shipowners' Association AGM (27-29 May 2024); International Shipping Forum cum Gala Dinner (28 May 2024)
- International Union of Marine Insurance (IUMI) Board Meeting and 4th Asia Forum (4-5 June 2024)
- 2024 Hong Kong Maritime Week (17-23 Nov 2024)