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24 December 2019

Clerk to the LegCo Panel on Economic Development
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms Shirley Chan)

Dear Ms Chan,

Panel on Economic Development

Follow-up to the meeting on 26 November 2019

At the meeting of the Panel on Economic Development held on 26 November, Members have asked the Government to provide supplementary information on the proposed ship leasing tax regime. The supplementary information is now provided at **Annex** for reference.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Vicky Cheung', written over a circular stamp or mark.

(Vicky Cheung)

for Secretary for Transport and Housing

Supplementary Information

At the Panel meeting on 26 November 2019, the Administration was requested to provide the following information –

- (a) *market leaders in ship leasing business in the world, and how Hong Kong compares with them in terms of the number and scale of ship leasing companies*

According to a research report by the industry consultant Frost & Sullivan, the global ship leasing industry is relatively fragmented. As at the end-2018, there were approximately 400 companies providing ship leasing services in the world. The global top five ship leasing service providers were all Chinese companies, viz. Bank of Communications Financial Leasing, ICBC Leasing, Minsheng Financial Leasing, China Merchants Bank Financial Leasing, and CSSC Leasing, and these accounted for a total market share of about 24.5% in terms of revenue.

For Hong Kong, since ship leasing has been subsumed under the asset leasing category, there is no separate breakdown on the number and scale of ship leasing companies in Hong Kong. Also, as ship leasing service is often provided by shipping companies and financial institutions in the form of special purpose vehicles (SPVs) which hold the asset for leasing, little information can be derived on the number of companies at the group level. Nonetheless, in view of the development potential of ship leasing businesses which is an increasingly common form of ship finance in the international maritime business, the proposed introduction of tax measures could encourage and promote the development of ship leasing business in Hong Kong.

- (b) *strategies to promote the new tax regime for ship leasing after the passage of the legislation*

After the passage of the Bill, we will, together with the Hong Kong Maritime and Port Board (HKMPB) members, InvestHK and the Hong Kong Trade and Development Council, publicise the details of the new ship leasing tax regime through scheduling briefings and meetings with targeted industry associations (such as the Hong Kong Shipowners Association) and companies in Hong Kong. We will also make use of

the opportunities during the HKMPB overseas and Mainland promotion visits and exhibitions as well as our participation in various regional and international maritime events and conferences, including the Hong Kong Maritime Week, to promote the new tax concessionary measure to relevant maritime authorities, banking institutions and leasing companies. Relevant information on the new ship leasing tax regime will also be incorporated in our future promotion publications and materials as well as the HKMPB website.