

World Eye Reports Hong Kong

2012: The 40th Anniversary of Normalized Diplomatic Relations between China and Japan
A Special Industry Report on Hong Kong Shipping

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Dragon year brings trade and investment expansion

This year, the auspicious Chinese Year of the Water Dragon, marks the historic 40th anniversary of normalized relations between China and Japan. In Hong Kong, companies see this year — dubbed the Friendship Year for Japan-China People-to-People Exchanges — as a unique opportunity for businesses from the SAR (Special Administrative Region) and from Japan to strengthen bilateral relationships and grow in today's volatile global market.

The prevailing attitude in Hong Kong's private sector today is that of optimism and anticipation, in clear contrast to the business climate in the West. And despite continuing repercussions from the global financial crisis that started in 2008, many of Hong Kong's top executives are expecting the re-



Masakazu Yagyu, secretary general of The Hong Kong Japanese Chamber of Commerce and Industry

gion to recover at a faster pace than neighboring countries, especially as China plays an increasingly important role in international trade.

Sectors such as consumer electronics in Hong Kong have already had positive numbers in recent months.

"While we are still facing a global economic slowdown and there is still uncertainty in the market, electronics industry companies here continue to grow and find new ways to capture the market's attention," says Basil Wai, CEO of the Hong Kong Electronics Industries Association. "This has resulted in higher sales, more innovative products and larger demand."

Japan stands to benefit from this growth trend as many of Japan's most popular brands already have robust footholds in Hong Kong.

"Because of Japan's trusted brands and products, its companies continue to contribute significantly to the consumer electronics industry in Hong Kong," says Francis Fong, president of the Hong Kong Information Technology Federation. "There is still great potential in Hong Kong's dynamic and growing market for Japanese companies."

"We are very flexible in businesses and trading," he continues. "I believe that this makes us great trading partners for the Japanese. Companies here are also more experienced in facing negative global economic conditions and moving forward out of them."

Similarly, players in the SAR's shipping industry look forward to positive numbers.

"A lot of ships entered the sector in 2012, so there is a relatively high supply in the market today," says Kingson Lee, vice chairman of the Hong Kong Sea Transport and Logistics Association. "This only encourages companies to innovate their services more. Some companies have already adjusted their freight rates and formed consortiums to maximize overall carrier shipments. You can say that Hong Kong shipping companies, with the support of a strong Chinese market and resilient partners from Japan, are being more aggressive and pushing for growth in the industry."

Support from within the sector itself has also boosted shipping's growth in Hong Kong. Shipowners here have close relations with each other, and it is one of the key com-



HKH Vision is a ship owned by the TCC Group, a shipping company that has been sailing strongly in Hong Kong's shipping industry.

petitive advantages of maintaining a base in the region.

"Here, the shipping industry is a community," comments Arthur Bowring, president of the Hong Kong Shipowners Association. "People know each other; we discuss regional matters and ways of growing our industry as a whole. This social aspect is a very important part of what we do. It encourages us to resolve key issues as partners rather than competitors."

One of the main goals of both Japan and China is to look for new business partnerships and profitable bilateral opportunities. Japan, Hong Kong's third largest trading partner, has a key role in Hong

Kong's growth in the region. In turn, Hong Kong is a crucial avenue for Japanese investors to enter China and the Southeast Asian markets.

"Hong Kong will always be an important business partner for Japan," says Masakazu Yagyu, secretary general of The Hong Kong Japanese Chamber of Commerce and Industry in Hong Kong. "The two have always had strong business and cultural connections. We are especially thankful to Hong Kong as well for its support after the Tohoku earthquake and tsunami last year. This only shows the strength of the bond between Japan and Hong Kong." ◆

Diamond jubilee for a Hong Kong shipping dynasty

Founded in 1952 by T.Y. Chao, Wah Kwong Maritime is Hong Kong's largest independent tanker owner.

In those days of postwar industrial growth in nearby Japan, Wah Kwong's emergent fleet of ships was contracted on long-term time charters, primarily to Japanese companies. The use of such charters reduced the Hong Kong shipper's exposure to market volatility, and is a methodology that Wah Kwong maintains to this day.

T.Y. Chao's sons, Frank and George, took over the company in the 1990s, and today the Chao family is one of the most prominent of Hong Kong's shipping dynasties. The company remains a regional leader in its field and maintains a fleet of modern bulk carriers, tankers, and LPG carriers.

Wah Kwong's day-to-day operations have now passed on to George Chao's eldest daughter, Sabrina. In 2002, she became the third generation of the Chao family to enter the business, and in 2007 she was appointed vice

chairman of Wah Kwong Maritime.

"I have been working side-by-side with my father over the past 10 years. I think shipping is a dynamic and also enjoyable business," Sabrina Chao says.

In the current economic downturn worldwide, she would like to internally strengthen ship management while continuously upgrading the company's technology. Most importantly, Chao wants to build and maintain her company's long-standing relationship with Japan.

Wah Kwong was one of the first Hong Kong shipbuilders to construct ships in Japan back in the 1960s.

"We still have very good relationships with the Japanese shipyards and trading houses. Our ties are very strong, and we hope that one day we can go back to Japan to build ships again," Chao remarks. "The vessels we built in Japan always worked out very well for us."

A key factor in the company's success over the years, through



Sabrina Chao, vice chairman of Wah Kwong Maritime

boom times and the current global turmoil, has been its innovative spirit driven by sound decision-making.

"Being a private company, we make decisions much quicker than other entities in the industry," says Chao. Wah Kwong has thus been quicker to adapt to changing world shipping conditions and better able to navigate the volatile course of the modern globalized economy.

This year will mark Wah Kwong's 60th anniversary. Chao remarks: "This anniversary is more about giving back to the community, which nurtures us, and I hope it will stir interest for people outside the industry." ◆

www.wkmt.com.hk

Looking to 100 years of consolidated growth

The TCC Group started from one man's dream of establishing a shipping company that would one day sail across Asia and beyond, begun by C.S. Koo in Hong Kong in 1917. From those early beginnings, the dream has been transformed over almost a century into the shipping legacy that is TCC today — celebrating its 95th anniversary in 2012.

"For the TCC Group, 2012 is about looking ahead, especially as our business approaches its



Kenneth Koo, chairman of TCC Group

centennial in 2017," says TCC's chairman and the third generation of his family to run it, Kenneth Koo. "We aim to build a stronger foundation for the company that prepares it for the next 100 years. After my grandfather, the business was further developed by my father and uncle until it became my turn in 2005. Each one had his own contribution to the company. I feel that my role in this generation is to focus on institutionalization and ensure that what the two elder generations worked so hard to develop is perpetuated in the future."

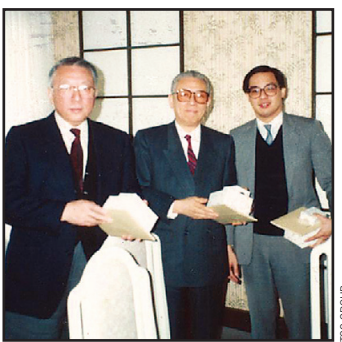
Today, TCC is one of the world's top providers of dry and liquid bulk cargo carriers in the international shipping sector. Through its own TCC Institute for Emissions Reduction from Marine Diesel Engines (TIER-MDE) program, it is currently testing solutions, with the use of nano-second pulsed power electronics in its fleet, that could result in more affordable ocean shipping, less fuel

consumption and minimal production of greenhouse gases and other harmful pollutants.

"We are very proud of the fact that for three generations, we are committed to the in-house management of our fleet to the highest uncompromising standards," explains Koo. "We also have our own in-house training and cadet programs for all our seamen, ensuring that only the highest standards and a healthy continuity of promotion of generations of officers and ratings are realized."

Furthermore, Koo points to his company's close relationship with Japan's "Big Three" shipping firms, based on TCC's credibility built up over decades and its custom-made solutions for clients, as key strengths.

This year marks the group's 45th anniversary of its partnership with K-Line, its 42nd anniversary with NYK and its 41st anniversary with MOL Japan. These bonds are testaments to TCC's commitment to serve and satisfy its valued cli-



From left to right: The former TCC Group co-chairmen K.H. Koo and K.W. Koo, and the current TCC Group Chairman Kenneth Koo

ent-partners in Japan. Around the rest of the world, it is also exploring ambitious new partnerships with leading oil and mining companies.

"We are always looking for ways to better serve our partners," Koo concludes. "We are trying to develop a special niche relationship with each client, finding new areas of collaboration and keeping costs and risk low — ultimately creating a win-win situation for us both." ◆

www.tccfleet.com

Twenty-first century fleet is powered by traditional values

Despite a worldwide decrease in overall cargo traffic brought about by the global economic crisis, Hong Kong-based shipping companies have been relatively less affected by the resulting turmoil. Their base in one of Asia's premier ports and the advantages of being a key part of the economic juggernaut that is China have kept them relatively sheltered in the "fragrant harbor" of Hong Kong.

"There is no doubt that shipping companies in Hong Kong benefit from China's increasing influence in the global market," says Kenneth Lo, chairman of Teh-Hu Cargocean Management. "We have grown in tandem with the increase in trade and cargo traffic brought forth by China's export-driven economic rise."

Lo, a former chairman of the Hong Kong Shipowners Association, has been running Teh-Hu Cargocean since 1974 and has continued to develop its operational systems and renewed its fleet to meet the evolving standards of the shipping industry.

Teh-Hu Cargocean is now the owner and operator of one of the world's youngest fleets of capesize ships. These are among the world's largest ships, and the term comes from their size. Too large to pass through the Suez and Panama canals, capesize ships needed to go the long way in voyages around the world via Cape Horn and the Cape of Good Hope. Though that is no longer the case after modernizations at both canals, the name has stuck.

Currently, Teh-Hu Cargocean has two brand-new capesize vessels under long-term charters, and a third set to sail by the end of 2013. Each of these has been thoroughly adapted to meet current international regulations and requirements. The reason for Teh-Hu Cargocean's small fleet is because they sold all their old capesize vessels prior to the end of 2008 in order to replace them with new vessels to

meet with the new regulatory requirements and have better fuel efficiency design.

"We have a highly skilled and experienced team to support our operations," Lo adds. "We are beginning to explore new opportunities in the fields of financial products and services, but shipping will always be our core business."

The company's focus has not been limited to China, despite its importance. Over the years, Teh-Hu Cargocean has steadily built a strong relationship with its business partners and clients in Japan, though they are now exploring business opportunities in other countries as well.

Since he became chairman of Teh-Hu Cargocean, Lo has maintained such close relations with major Japanese shipping companies because of Hong Kong's geographical proximity to Japan.

"Japan has some of the world's top shipping companies and plays a vital role in the industry. It has some of the most knowledgeable minds in the industry as well," he stresses.

Lo personally visits Japan often to share perspectives and experiences on global issues with his Japanese counterparts.

Just like many Japanese companies, Teh-Hu Cargocean itself was established on a sturdy yet humble foundation that has been maintained to this day by Lo.

"I do not wish for our company to be very big," he explains. "In the shipping industry, you do not always need a large fleet to get large profits. We have a very simple yet specialized company. Through our way of managing our business, it has given us years of success in this volatile industry."

His formula for success is just as simple: "First, we must continue to study and improve ourselves. By studying the market and specializing in our services, we have become more flexible and capable of tackling new challenges. Secondly, we have been very humble. Humility for me is very important, and I share this insight with my younger executives as well." ◆



Kenneth Lo, chairman of Teh-Hu Cargocean Management



TCC Group extends its support to the continuous development of Hong Kong as an International Maritime Center.

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The Hong Kong Sea Transport and Logistics Association (HKSTLA) was established in 1994 and represents the collective interests of the shipping and logistics industry. HKSTLA acts as a common platform among members, conducts training and seminars to enhance the professional standards of the industry and to share knowledge and international practices in shipping and logistics. www.hkstla.org

The Hong Kong Japanese Chamber of Commerce and Industry was established in 1969 to promote and protect trade, manufacture, and commerce for Japanese interests in Hong Kong as well as to promote friendship amongst its members, of which there are 607. www.hkjccl.com.hk

The Hong Kong Shipowners Association was incorporated in 1957 and has since become one of the world's largest shipowner associations. The HKSOA aims to promote and protect the interests of the Hong Kong domiciled shipowners, ship managers, and the local professions and services upon whom they rely in the performance of their business. www.hksoa.org

The Hong Kong Electronic Industries Association (HKEIA) was established in 1980 to promote and foster the interests of Hong Kong's electronics industry and business communities, as well as support trade fairs, missions, and other promotional activities in Hong Kong, China or overseas with the aim of helping members retain their competitiveness. www.hkeia.org