Hung Shui Kiu / Ha Tsuen New Development Area

Modern Logistics Cluster

Study Report

Transport and Logistics Bureau
The Government of the Hong Kong Special Administrative Region of the People's Republic of China

CEDD **Civil Engineering and Development Department**

Content

Executive Summary

Leveraging its comprehensive multimodal transport network, advanced technology and talent for handling high-value cargo, efficient cargo clearance, favourable and fair business environment, and institutional advantages under “One Country, Two Systems” such as a simple, low tax system and bilingual common law system, Hong Kong has become an international logistics hub. However, Hong Kong is land-scarce, and a stable supply of logistics land is crucial for the logistics industry's development. Insufficient logistics land will constrain the development of Hong Kong's logistics industry and lead to rising rental costs, thus undermining Hong Kong's competitiveness as an international logistics hub.

In light of this, the Transport and Logistics Bureau (TLB) proposed in the Action Plan on Modern Logistics Development promulgated in October 2023 to develop modern logistics clusters with different functions in the new development areas of the Northern Metropolis in the long term, with the approximately 36 hectares of logistics land in the Hung Shui Kiu/Ha Tsuen New Development Area (HSK/HT NDA) as a pilot site (hereinafter referred to as the "HSK Logistics Cluster").

In fact, land formation takes time. To ensure a sufficient long-term supply of logistics land, the Government will continue with the planning and development of logistics land, and establish a land reserve of logistics sites, with land to be released in a timely manner having regard to market demand.

Modern Logistics and the Logistics Cluster

Modern logistics increasingly applies automated logistics equipment to enhance operational efficiency and cargo handling and tracking capabilities. Furthermore, green logistics is also a major global development trend. The industry increasingly adopts energy-efficient and internationally certified green building designs for modern logistics centres, and makes use of electric logistics vehicle fleets. Logistics services are also diversifying, further extended to cover specialised packaging and processing, supply chain finance, inventory management and marketing, in addition to core transportation and warehousing services.

Logistics clusters refer to the clustering of modern logistics facilities, as well as interconnected logistics enterprises and related organisations, thereby fostering organic development and creating a logistics ecosystem with synergy effect.

To meet the development needs of modern logistics, modern logistics facilities often require larger land plots and high-ceiling design. In recent years, many modern logistics facilities in the Chinese Mainland and overseas adopt these designs and development scales. In contrast, current modern logistics facilities in Hong Kong are mainly multi-storey logistics buildings with vehicular ramps to each floor and conventional industrial buildings built to lower level specifications, making it difficult to meet these new development needs. Furthermore, referencing the development experience of similar logistics clusters in the Chinese Mainland and overseas, they often revolve around large logistics enterprises or enterprises with high logistics demand, thereby attracting other upstream and downstream logistics service providers, as well as ancillary service providers such as banks, trade services, business consulting and talent training, to move in, thereby forming an organic ecosystem and a logistics industrial cluster.

Strengths Analysis of HSK Logistics Cluster

The HSK Logistics Cluster, being large and concentrated in one area, not only addresses the past issue of land fragmentation but also helps to aggregate high value-added upstream and downstream industries to achieve scale in operation.

Geographically, the HSK Logistics Cluster is adjacent to Shenzhen Qianhai and Nanshan District, and is separated from the Shenzhen Bay Port by only a bridge, making it the preferred location for cross-boundary cargo flow. In addition, the area is well served by a comprehensive land transport network. It is only an approximate 5-minute drive to the Shenzhen Bay Port, and about a 25-minute drive to Hong Kong International Airport and Kwai Tsing Container Terminals. Coupled with future road planning, the area will have strong sea, land, and air multimodal transport capabilities which as a strategic advantage ensures efficient supply chain operation.

The sustained growth in high-value goods re-export and e-commerce, the development prospect of emerging industries such as commodity trading and low-altitude economy, and the significant increase in airport capacity brought by the completion of the Three-Runway System present opportunities for the HSK Logistics Cluster blessed with a convenient transportation network. Furthermore, with the transformation of the Huanggang Port into a passenger-only clearance port, cross-boundary cargo transport will form an "East-In East-Out, West-In West-Out" pattern, and HSK/HT NDA, which is adjacent to the Shenzhen Bay Port, will become a major cargo distribution centre for cross-border cargo flows between Hong Kong and Shenzhen, ensuring an adequate and stable supply of cargoes.

In face of the global trend of logistics modernisation and competition from neighbouring cities, Hong Kong's logistics industry requires breakthrough thinking, as well as sufficient space to develop modern logistics. We believe that the strategically located HSK Logistics Cluster will effectively leverage Hong Kong's strength in sea, land and air logistics to become a premier logistics industrial cluster in the region. This view was widely shared by the stakeholders whom the study team met over more than 30 in-depth interviews, including logistics facility developers, logistics enterprises, advisory and statutory bodies, and logistics industry associations.

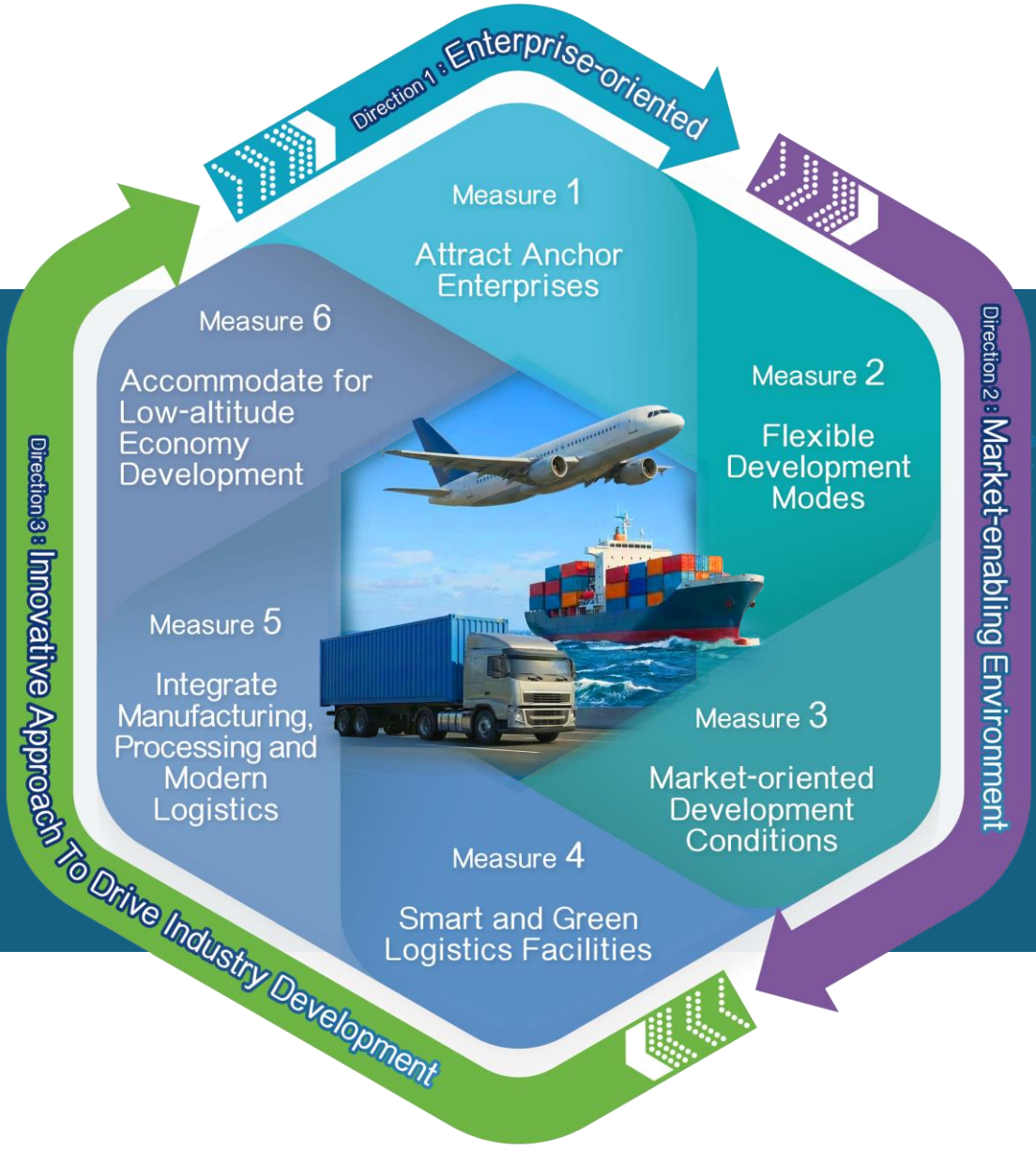
Conceptual Plan of HSK Logistics Cluster

Based on the views of the interviewees, the study team developed a conceptual plan for the HSK Logistics Cluster. The HSK Logistics Cluster is divided into five zones, focusing on the development of logistics businesses such as high-value goods logistics, e-commerce logistics, freight forwarding, and low-altitude economy. This allows similar businesses to generate industrial agglomeration effects within the same zone, while different zones can have functional complementarity that promotes the organic development of an industry chain. One of the land parcels will be reserved for the development of a Smart and Green Mass Transit System (SGMTS) depot, which connects the HSK Logistics Cluster with the town centre and railway station of the HSK/HT NDA, providing convenient transport services for the Logistics Cluster.

Three Directions and Six Measures

Regarding the development of the HSK Logistics Cluster, stakeholders provided various views. They suggested that the Government should provide support during the initial development stage of the Logistics Cluster to help form an industrial cluster; lower the plot ratio of the Logistics Cluster sites and consider modes of land disposal besides the 'highest bidder wins' approach; release land in a flexible and orderly manner according to market demand; relax development controls on logistics facilities, for instance, by facilitating the adoption of high headroom designs by the industry, to promote the development of smart and green logistics; and strengthen cross-boundary cooperation on low-altitude cargo logistics and consider planning for the provision of low-altitude transport infrastructure within the Logistics Cluster.

Having taken into account the views of the industry, drawing on the Chinese Mainland's and overseas development experiences, and combining these with the actual situation of logistics development in Hong Kong, the study has established three directions to guide the development of the HSK Logistics Cluster, and proposes corresponding measures under each direction for implementation.



Direction 1 : ENTERPRISE-ORIENTED

Measure 1 Attract Anchor Enterprises

The study recommends tailor-made entry terms for anchor enterprises to cater for their specific operational requirements while requiring their commitments in respect of development scale, innovation adoption, and smart and green logistics development to drive the formation of an industry cluster.

Direction 2 : MARKET-ENABLING ENVIRONMENT

Measure 2 Flexible Development Modes

The study recommends that the HSK Logistics Cluster adopts flexible development modes having regard to actual market conditions, including adopting non-traditional means of land disposal, allowing low-rise logistics development, consolidating suitable land parcels to provide larger plots, and facilitating the provision of longer sub-letting terms. Such measures are intended to reduce development costs and enhance flexibility in project implementation.

Measure 3 Market-oriented Development Conditions

In view of the evolving economic environment, the study recommends inviting the industry to submit Expressions of Interest (EOI) prior to the release of sites to gauge market demand and gather views on development proposals including key development parameters, development scale and financial viability so as to echo the Government's investment promotion policy and ensure that the land development terms meet the needs of the industry.

Direction 3 : Innovative Approach to Drive Industry Development

Measure 4 Smart and Green Logistics Facilities

The study recommends, with reference to stakeholders' views and relevant experience in the Chinese Mainland, providing practice guidelines on improving gross floor area (GFA) calculation for high headroom to encourage the industry to adopt smart logistics equipment that demands greater operational space, thereby reducing reliance on manpower, and promoting the development of the industry. The study also recommends encouraging incorporation of green elements (such as electric goods vehicle charging facilities and energy-saving installations) in logistics facilities to help enterprises to meet Environmental, Social and Governance (ESG) requirements and enhance the competitiveness of the industry.

Measure 5 Integrate Manufacturing, Processing and Modern Logistics

The study recommends that, in addition to providing modern logistics services, the HSK Logistics Cluster should review land uses and incorporate value-added elements of industrial manufacturing and processing, in response to the industry's shift towards higher value-added development, thereby fostering the organic development of the industry value chain.

Measure 6 Accommodate for Low-altitude Economy Development

The study recommends reserving space within the HSK Logistics Cluster to support the development of low-altitude economy for logistics-related purposes and other industries as new productive forces, including logistics distribution and cross-boundary unmanned aerial vehicle (UAV) logistics operations, as well as the provision of relevant infrastructure.

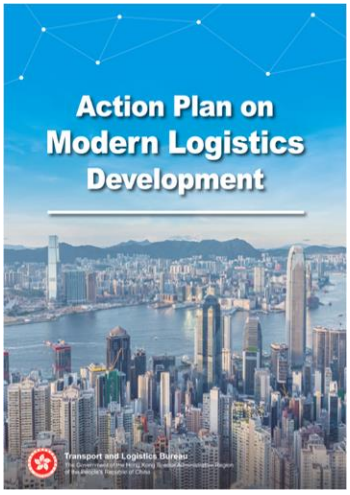
Next Step

Given that the HSK Logistics Cluster comprises multiple land parcels, the study recommends that prior to land disposal, the Government invite the industry to submit EOIs for each site, taking into account the specific development and operational requirements of the logistics facilities concerned. Each development should be assessed in respect of its economic benefits, implementation arrangements and financial viability, so as to ensure that the most suitable development mode is adopted.

The Government will invite the industry to submit EOIs in 2026 for the first site of the HSK Logistics Cluster, and taking into account the intents of the industry, the terms and development approach concerning the site will subsequently be drawn up, and the site will be released to the market subject to market conditions.

Foreword

Hong Kong has long been a premier logistics hub in Asia and an important gateway for trade between the Chinese Mainland and the rest of the world. With its excellent geographical location; free port status; well-developed infrastructure; comprehensive sea, land and air transport networks; sound legal system; simple and competitive tax regime; experienced professional talents, as well as its status as an international business and financial centre, Hong Kong has obvious competitive advantages in playing a pivotal role in promoting the flow of goods in the region. Under the principle of "One Country, Two Systems", Hong Kong has direct access to the enormous Chinese Mainland market and strong international connectivity at the same time, serving as a bridge linking the Chinese Mainland and the rest of the world.



To foster the development of the logistics industry and enhance Hong Kong's position as a sustainable international logistics hub focusing on high-value goods and e-commerce markets, the Government promulgated the Action Plan on Modern Logistics Development (hereinafter referred to as the "Action Plan") in October 2023 to steer the future development of Hong Kong's logistics industry. Considering that a stable supply of logistics land is of utmost importance to promoting the development of modern logistics, the Action Plan proposes to develop modern logistics clusters with different functions in the new development areas of the Northern Metropolis to leverage the clustering effect, enhance the operational efficiency of the logistics industry, and thereby promote the sustainable development of smart and green logistics in Hong Kong. The Chief Executive proposed in the 2023 Policy Address that in the first phase a study would be conducted on the development model for logistics sites in the new development areas, starting with the 36 hectares of land reserved in the Hung Shui Kiu/Ha Tsuen New Development Area (HSK/HT NDA) as a pilot site to develop the modern logistics clusters (hereinafter referred to as the "HSK Logistics Cluster"), which will serve as the logistics gateway to the Greater Bay Area (GBA). The planning study for the development of the HSK Logistics Cluster commenced in March 2024 and was completed in December 2025.

The HSK Logistics Cluster will congregate modern logistics facilities as well as interconnected logistics enterprises and related organisations in the same area for their organic development and formation of an industry cluster, thereby creating a logistics ecosystem with synergy effect.

Chapter 1
Introduction

Modern Logistics and Modern Logistics Cluster

Modern logistics is an industrial system centred on supply chain integration, technology application, and high value-added services. Unlike traditional warehousing and cargo transport activities, modern logistics places greater emphasis on efficiency, precision, technology application, and cross-boundary collaboration capabilities.

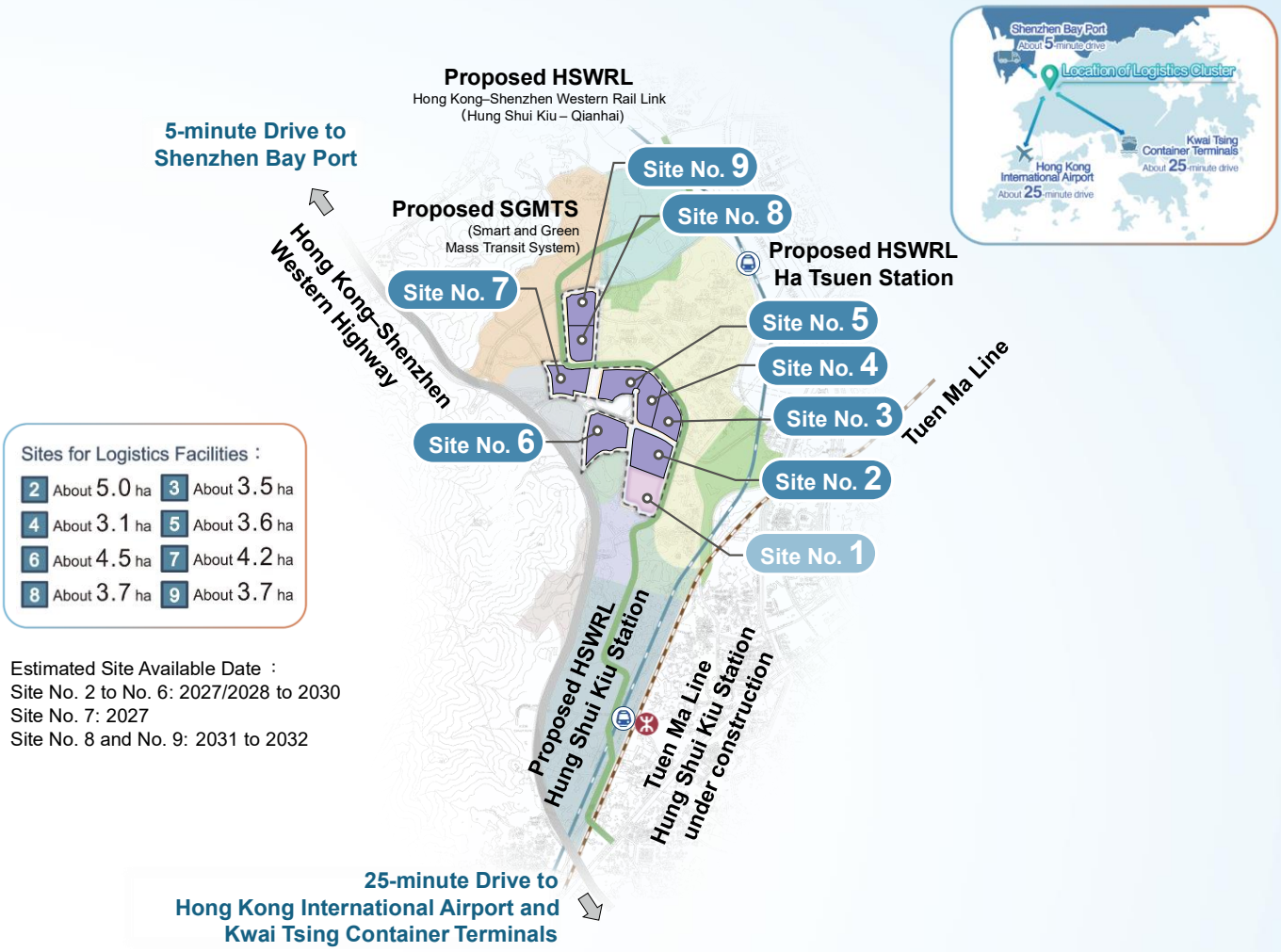
To this end, modern logistics facilities typically feature specialised designs, often integrating warehousing, sorting, distribution, value-added logistics, logistics technology application, and management control into one comprehensive facility. In addition to core warehousing and distribution functions, these facilities often accommodate value-added activities such as packaging, labelling, simple processing, quality inspection, and reverse logistics.

Modern logistics operations generate diverse logistics service demands. Consequently, the concentration of modern logistics facilities can attract various enterprises to move in, forming an industrial cluster. Relevant enterprises include logistics facility developers, logistics operators, trading companies, suppliers, and even service providers offering ancillary services such as testing and certification. The related logistics enterprises and organisations agglomerate and grow organically, forming a vibrant logistics ecosystem, which is why it is called a logistics cluster.

A modern logistics cluster does not only reduce operating costs and enhance operational efficiency through resource sharing and economies of scale, but also integrates other logistics ancillary services to provide diversified high value-added modern logistics services, thereby promoting the sustainable development of modern logistics in Hong Kong.

Study Site

Figure 1: HSK Logistics Cluster Study Site



The study sites are located in the northwest part of the Hung Shui Kiu/Ha Tsuen New Development Area, with a total area of approximately 36 hectares, subdivided into 9 logistics sites. Land has been reserved in the nearby area for electricity substations and laying of power supply cables to provide a stable and adequate power supply for the HSK Logistics Cluster and the adjacent areas. One of the logistics sites, Site No. 7 in **Figure 1**, has been reserved for the depot of the Smart and Green Mass Transit System (SGMTS), which connects the HSK Logistics Cluster with the town centre of and the railway station in the HSK/HT NDA, providing convenient transport services for the Logistics Cluster.

The HSK Logistics Cluster is strategically located in the northwestern part of the New Territories. It has a prime geographical location, being in proximity to boundary control points, and connected to Hong Kong International Airport (HKIA) and Kwai Tsing Container Terminals (KTCTs) via major roads. Directly connected to the Kong Sham Western Highway, the HSK Logistics Cluster is only an approximate 5-minute drive to the Shenzhen Bay Port, and about a 25-minute drive to HKIA and KTCTs. Therefore, it is primed to develop cross-boundary supply chains and regional distribution functions, making it a vital gateway for air and sea cargo entering and exiting the GBA.

In terms of transport infrastructure, in addition to the MTR Tuen Ma Line, the planned Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu – Qianhai) (HSWRL) will provide cross-boundary rail service directly connecting Qianhai via the Shenzhen Bay, expected to commence in 2035. Concurrently, the SGMTS is planned within the HSK/HT NDA to provide convenient transport services within the area.

Site formation and infrastructure works for the most of the study sites have already commenced. According to the current programme, relevant works will be progressively completed two years after the completion of land resumption in 2026, with land anticipated to be made available in phases from 2028 onwards, except Site No. 7 which will be developed by the successful bidder of the first phase of the SGMTS, and the project will be tendered in 2026.

As Site No. 1 is relatively close to the future Hung Shui Kiu town centre, the Government is currently reviewing its use to align with the overall development of the HSK/HT NDA. Furthermore, the Government will review the land uses in the HSK/HT NDA and surrounding areas from time to time, and will keep in view the industry's demand for logistics land. If necessary, more land may be incorporated into the HSK Logistics Cluster in future to support the development of the logistics industry.

Study Objectives

The main objectives of the study are to explore the conceptual plan and development mode of the HSK Logistics Cluster, including proposing primary land uses for the study sites, and to make recommendations on the positioning, logistics fields of focus, development directions, and related implementation measures for the logistics cluster through market research and analysis of industry views.

Study Methodology

Regarding the current situation of Hong Kong's logistics industry and the trend of demand for logistics facilities, the study collected relevant data, including data on Hong Kong's external trade commodities, volume of online sales as a percentage of overall retail sales volume, and modes of cargo transport, to analyse the demand for offering logistics services from the HSK Logistics Cluster. The study also referenced modern logistics facilities in Hong Kong, the Chinese Mainland and overseas to propose recommendations on the types of modern logistics facilities the HSK Logistics Cluster requires. The study team conducted over 30 in-depth interviews with logistics industry stakeholders, including logistics facility developers, logistics enterprises, advisory and statutory bodies, and logistics trade associations, to understand market demand, development opportunities, and challenges. In the process of formulating this study report, the study team extensively consulted the industry and maintained close liaison with various government departments, as well as advisory and statutory bodies to discuss the policy and technical aspects of the HSK Logistics Cluster's development.

Chapter 2 Overview of Modern Logistics Development

2.1 Key Features of Modern Logistics

Having regard to global logistics development trends, we summarise the key features of modern logistics as follows: -

Automation:

Modern logistics increasingly adopts automated logistics equipment, such as Automated Guided Vehicles (AGVs) and Automated Storage and Retrieval Systems (AS/RS) to enhance cargo-handling efficiency and traceability. These technologies help reduce reliance on increasingly costly manpower and optimise land utilisation through high-density storage solutions, thereby maximising spatial efficiency and strengthening the overall competitiveness of the industry.

Greenness and Energy Efficiency:

As international requirements for ESG become increasingly stringent, adopting energy-efficient and internationally certified green building designs for modern logistics centres has become one of the trends in modern logistics development. The industry is also actively promoting the electrification of logistics vehicle fleets and improving the corresponding fast charger network and supporting facilities. Through all-round energy-saving measures, efforts are made to reduce energy consumption and carbon emissions during transport and warehousing to meet the increasing international market demand for green logistics services.

Diversified Value-added Services:

Logistics services are also beginning to integrate the upstream and downstream segments of the supply chain. In addition to core services of transport and warehousing, logistics service providers further cover a diverse range of services such as specialised packaging and processing, supply chain finance, inventory management, and marketing, providing enterprises with flexible and transparent supply chain solutions. This not only optimises inventory turnover but also significantly enhances the added value of cargo, strengthening Hong Kong's function as a regional distribution centre and a hub for high-value goods.

2.2 Comparison of Logistics Facilities in Hong Kong, Chinese Mainland and Overseas

Given the above trends in modern logistics development, the design of logistics facilities must align with the current demands of logistics operations.

Modern logistics facilities include integrated buildings specifically designed for modern logistics operations, adopting single- or multi-storey developments that support automated equipment and centralised operations. A considerable number of facilities provide vehicular ramps that give direct access to each floor, cargo handling platforms, large warehousing and sorting spaces, with an aim to provide efficient cargo handling and supply chain services. Modern logistics facilities must also feature high headroom design, high floor loading capacity and large span structures to support automated sorting systems, in-warehouse robots, and heavy cargo handling equipment.

Modern logistics facilities are also equipped with ancillary and supporting facilities, including large goods vehicle parking spaces, centralised loading/unloading and waiting areas, fleet management and maintenance facilities, and charging or energy replenishment facilities for new energy vehicles. Furthermore, modern logistics facilities also provide ancillary offices, staff catering, training, rest facilities, as well as communication networks, smart security systems, and energy management and environmental protection facilities. These supporting facilities amenities not only enhance operational efficiency but also help improve the working environment and promote the development of smart and green logistics, catering to logistics operations and the daily needs of personnel.

Modern Logistics Facilities in the Chinese Mainland and Overseas

Modern logistics facilities with the aforementioned installations and ancillary facilities are not uncommon in the Chinese Mainland and overseas. These facilities generally occupy a large area, typically exceeding 4 hectares, and have fewer than 5 storeys, with spiral ramps providing access to multiple floors, and the height of each floor usually exceeding 10 metres. The large area allows for more diversified land use. The greater floor-to-floor height facilitates flexible space configuration, allowing for broader application of automated logistics equipment. The following are some key examples.

The Shenzhen Yantian Port Modern Logistics Centre, located within the Yantian Integrated Free Trade Zone, occupies approximately 20 hectares with a total GFA of about 500,000 square metres, making it one of the largest single modern logistics centres in the Chinese Mainland. The facility adopts a ramp direct to floor design that enables container trucks to access warehouse floors directly, significantly enhancing cargo turnaround efficiency.

By attracting logistics enterprises with extensive global networks and leveraging the substantial cargo throughput brought by these enterprises, the development has created a strong clustering effect. This has drawn upstream and downstream logistics service providers, such as international re-export operators, distribution companies and customs brokers to co locate, and has further facilitated the establishment of supporting businesses such as trade services and supply chain finance. Together, these elements form a highly integrated and collaborative ecosystem.

The Shenzhen Yantian Port Modern Logistics Centre

(Photo Source: The Shenzhen Yantian Port Modern Logistics Centre)

Malaysia Bukit Raja OMEGA 1 Smart Logistics Centre

(Photo Source: Ally Logistics Property)

The OMEGA 1 Smart Logistics Centre, located in the Bukit Raja Industrial Park in Malaysia, occupies approximately 11 hectares with a total GFA of around 170,000 square metres. It is one of the largest smart warehouses in the country. The project features an integrated AS/RS, comprising a 40 metre high automated warehouse capable of accommodating more than 100,000 pallet storage positions, significantly enhancing space utilisation and cargo handling speed.

The logistics centre offers shared automated warehousing services on a “pay as you use” basis, allowing enterprises of different scales to rent automated pallet storage positions according to their operational needs. This model addresses the challenge faced by individual companies in bearing the high upfront costs of automation, thereby attracting numerous suppliers and e commerce logistics firms to cluster within the facility. Their concentration has subsequently drawn logistics technology companies, such as those providing technical support, data consultancy and training to offer services, forming a smart logistics cluster.

The GLP ALFALINK Sagamihara Logistics Park in Sagamihara City, Kanagawa Prefecture, Japan, covers approximately 30 hectares with a total GFA of around 680,000 square metres, making it one of the largest logistics parks in Japan. The project comprises four large logistics facilities and a shared amenities building, designed under the concept of an “open hub”.

The centrally shared amenities building provides common resources such as restaurants, convenience stores, childcare facilities and meeting rooms. The flexible design of the park accommodates tenants of different scales and promotes interaction and collaboration among enterprises, enabling the logistics park to evolve into an ecosystem that fosters the creation of new business value.

Japan GLP ALFALINK Sagamihara Logistics Park

(Photo Source: GLP)

Germany Heidenheim GLP Logistics Facility

(Photo Source: GLP)

Prologis Chengdu Xindu Logistics Center

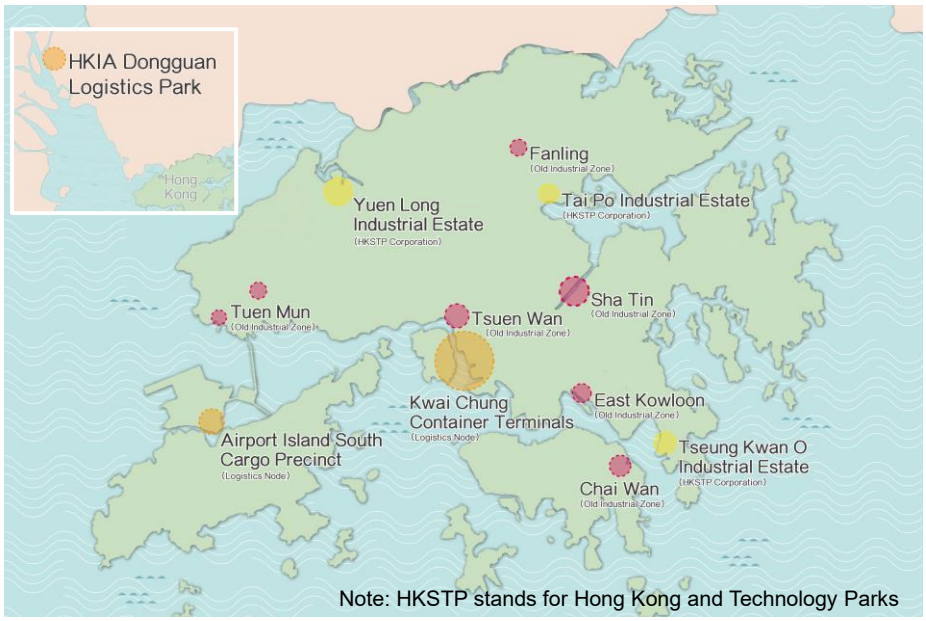
(Photo Source: Prologis China)

In addition, there are other examples located in the Chinese Mainland and overseas, such as the Prologis Logistics Park in Heidenheim, Germany, which exemplifies international green building standards. This project has received Gold certification from the German Sustainable Building Council, committed to reducing energy consumption and carbon emissions through sustainable design. In the Chinese Mainland, the Prologis Chengdu Xindu Logistics Center and the Goodman Chongqing Western Logistics Center are both equipped with high-standard automation and cold chain facilities. These facilities demonstrate how modern logistics facilities can improve operational efficiency through international green certification and professional design, providing valuable references and exemplars for planning the HSK Logistics Cluster.

Goodman Chongqing Western Logistics Center

(Photo Source: Goodman China)

Figure 2: Distribution of Major Modern Logistics Facilities in Hong Kong

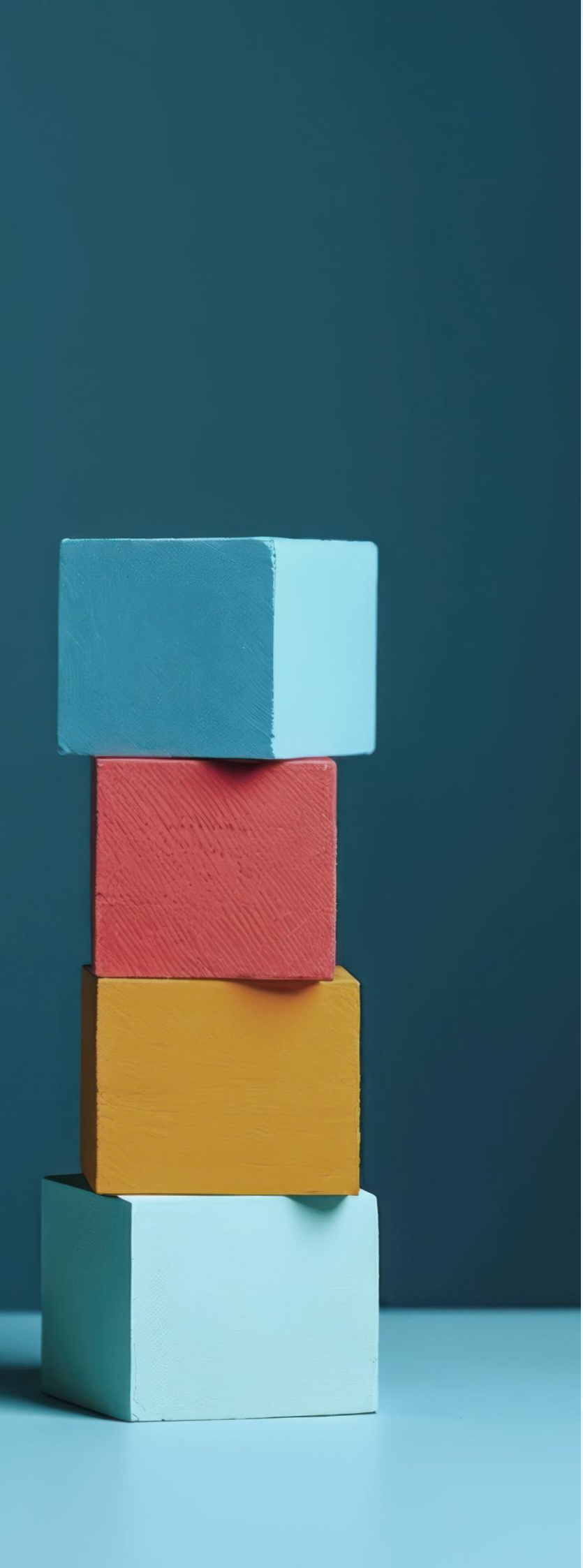


Note: HKSTP stands for Hong Kong and Technology Parks

Modern logistics facilities in Hong Kong are located in areas such as the Kwai Tsing District, the Airport South Cargo Precinct and the InnoParks, depending on the target user segments and transport modes for the cargo handled. Compared with modern logistics facilities in the Chinese Mainland and overseas, Hong Kong's logistics facilities generally occupy smaller areas due to land scarcity. For instance, major modern logistics facilities in urban areas typically range from 2 to 8 hectares and are developed as single site, stand alone projects. In Hong Kong, floor to floor heights for logistics facilities are usually around 6 to 7 metres, with spiral ramps providing vehicular access to each floor and building heights reaching 10 storeys or more. While these facilities make effective and flexible use of floor space to support logistics operations and integrate multiple logistics functions, constraints on site area and headroom limit the feasibility of deploying large scale automated logistics systems as compared with logistics facilities in the Chinese Mainland and overseas.

Aside from general large scale modern logistics facilities, those in the Airport South Cargo Precinct are typically highly specialised, equipped with stringent temperature control systems and security measures tailored for air freight operations. Some logistics facilities within the InnoParks incorporate elements of industrial production and place greater emphasis on research, development and application of logistics technologies. However, such facilities remain relatively limited in number. In addition, some logistics facilities of relatively small scale are also found in traditional industrial areas. Some logistics operations in Hong Kong are located on brownfield sites as well, which are previously agricultural land in the New Territories now used for logistics related functions such as container back up yards, open storage and parking areas. These are generally low density developments, with rental levels lower than those in urban areas. However, due to the absence of proper planning, land use efficiency on brownfield sites is generally low, and incompatible land uses with adjacent areas as well as environmental and traffic issues often arise.

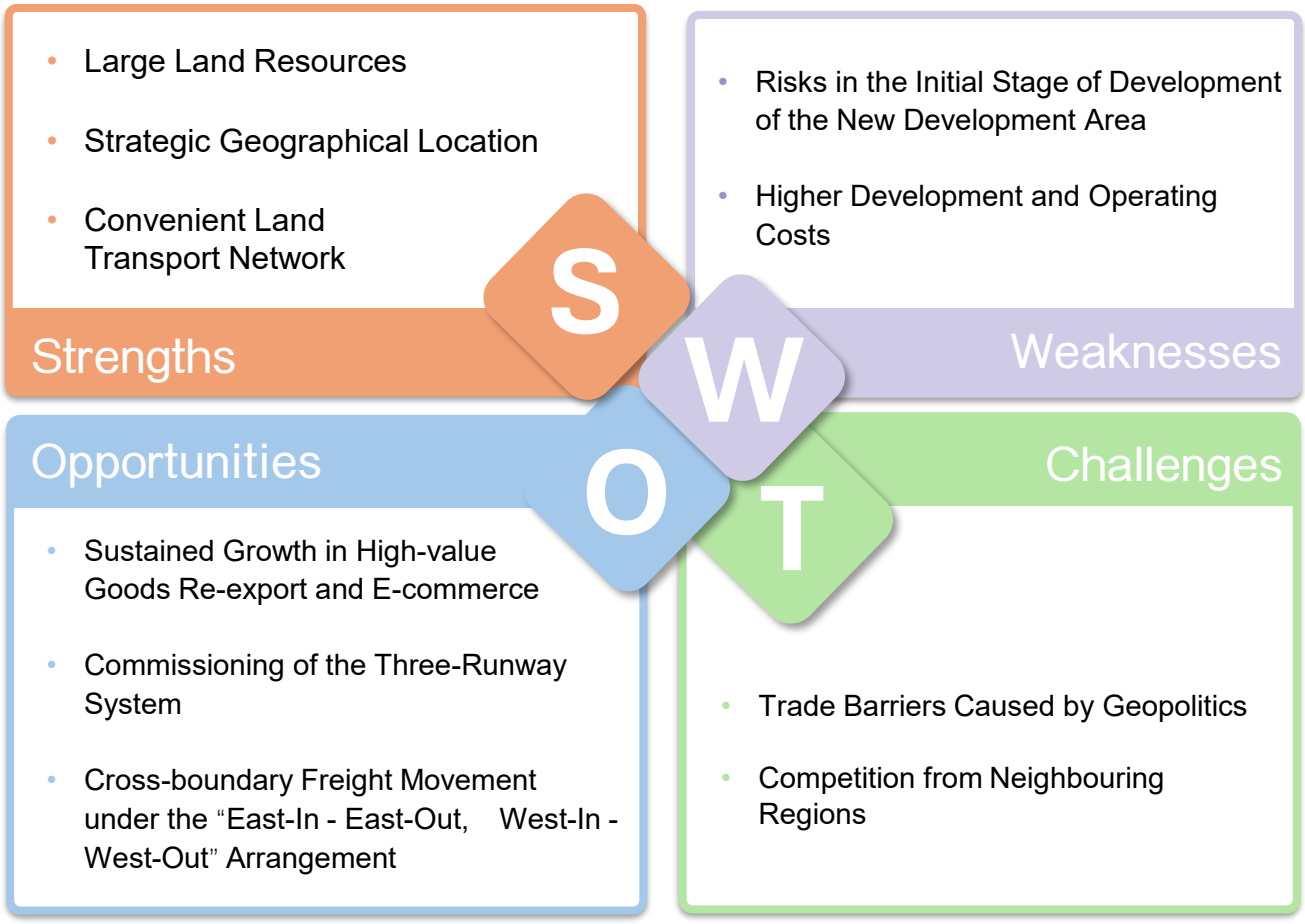
On the other hand, Hong Kong has been exploring innovative ways to increase logistics land in recent years. For example, HKIA is press ahead with the development of HKIA Dongguan Logistics Park in Dongguan to develop a sea-air cargo intermodal transhipment mode between HKIA and the GBA. This intermodal transhipment mode allows goods in the Chinese Mainland to complete security checks and receipt in Dongguan and be transported directly to HKIA by sea for direct loading onto the aircraft. International goods can also enter the Chinese Mainland through the reverse process. This mode can allow goods in the GBA to be transported via a more seamless and convenient international air freight network, improve the efficiency of cross-border air cargo transshipment, and also address the problems of insufficient logistics land and high rents in Hong Kong through the provision of an "exclave".



Chapter 3 SWOT Analysis of HSK Logistics Cluster

3.1 SWOT Analysis of HSK Logistics Cluster

To comprehensively assess the development potential of the HSK Logistics Cluster, this chapter explores its strengths, weaknesses, opportunities, and challenges.



3.2 Strengths

Large Land Resources

Modern logistics projects generally require larger, single plots of land, as fragmented and overly small plots often struggle to support the actual operational needs of modern logistics. Therefore, modern logistics is better suited for development on sizeable, combinable and flexibly adjustable plots. Compared withtraditional logistics sites, the HSK Logistics Cluster provides large land resources, with a total area of approximately 32 hectares. The large area offers sufficient floor space, which can not only accommodate large automated sorting equipment and AS/RS but also attract the agglomeration of high value-added upstream and downstream industries such as manufacturing and processing, forming a strong industry clustering effect. This overcomes the limitations of past fragmented logistics sites, allowing enterprises to achieve scale in operations in a more cost-effective manner.

Strategic Geographical Location

The HSK Logistics Cluster is situated at the core of the “High end Professional Services and Logistics Hub” of the Northern Metropolis, separated from the Shenzhen Bay Port by only a bridge, and in close proximity to Shenzhen Qianhai and Nanshan District. It has the unique strategic value of being a "Two-way Gateway" to the GBA, seamlessly connecting with the Chinese Mainland's vast manufacturing base and consumer market. This geographical advantage makes it the preferred node for cross-boundary flow of high-value cargo (e.g. electronic components, precision instruments). Whether for foreign cargo entering the Chinese Mainland market or Chinese Mainland products "going global," the HSK Logistics Cluster is located at a critical nexus in the supply chain, capable of effectively supporting the rapid development of cross-border e-commerce and international trade.

Convenient Land Transport Network

The HSK/HT NDA is supported by a comprehensive land transport network, achieving efficient connectivity with the airport, container terminals, and boundary control points. This gives the area an edge in sea, land, and air multimodal transport, and the conditions for simultaneous interface of cross-boundary land logistics, air cargo transport, and sea transport back-up operations. Via the Kong Sham Western Highway, logistics vehicles can quickly reach the Shenzhen Bay Port in approximately 5 minutes, significantly shortening cross-boundary transport time. With the opening of the Tuen Mun-Chek Lap Kok Link, the distance between the HSK Logistics Cluster and HKIA is significantly reduced. Coupled with the planned Tuen Mun Western Bypass under planning, these enable the HSK Logistics Cluster to handle time-sensitive air cargo quickly, all these reinforcing its "air-land multimodal transport" capability. Furthermore, the HSK Logistics Cluster connects to the Yuen Long Highway and the planned Route 11, allowing cargo to be quickly transported to the KTCTs and urban areas. The convenient land transport network significantly enhances the timeliness and flexibility of logistics distribution from the HSK Logistics Cluster, ensuring the efficient supply chain.

“High-end Professional Services and Logistics Hub” of the Northern Metropolis
(Source: Development Bureau)

In terms of railway infrastructure, Hung Shui Kiu Station of MTR Tuen Ma Line under construction will serve residents of the HSK/HT NDA and the adjacent areas and support the sustainable growth in population and employment in the NDA. The construction works for Hung Shui Kiu Station commenced in 2024, with completion anticipated by 2030. The alignment of the HSWRL under planning starts from the west of MTR Hung Shui Kiu Station on the Tuen Ma Line under construction, passing through Ha Tsuen and Lau Fau Shan, crossing the Deep Bay and connecting to Qianhai via Shenzhen Bay Port. Upon the commissioning of the proposed HSWRL, it will only take approximately 15 minutes to reach Qianhai from Hung Shui Kiu. As a strategic railway project that supports Hong Kong's deep integration into the development of the GBA, the HSWRL will connect the metro networks in the western regions of Hong Kong and Shenzhen respectively, helping to create a commute zone between Hong Kong and Shenzhen so convenient that it allows high quality living even on commute and facilitating cross-boundary commerce.

3.3 Weaknesses

Risks in the Initial Stage of Development of the New Development Area

Logistics is a supporting industry for trade and manufacturing. As a new development area, Hung Shui Kiu has no existing industries with logistics demand nearby in its initial development stage, which may pose difficulty in attracting pioneering enterprises. This time lag in supply and demand creation presents "first-mover risk" for developers, affecting the certainty of initial investment returns.

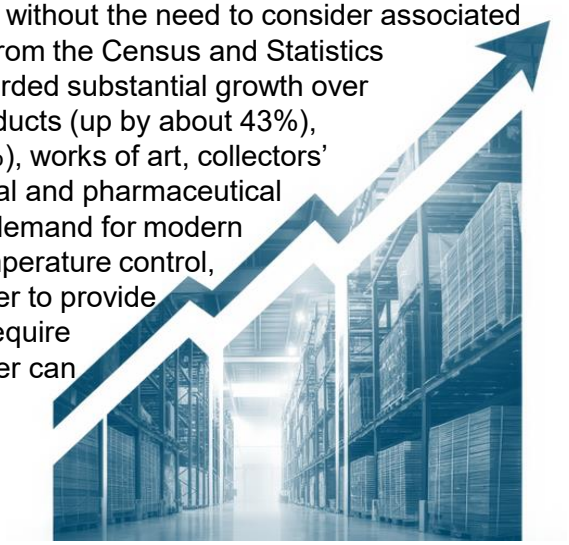
Higher Development and Operating Costs

The logistics industry is highly sensitive to operating costs. If the land and construction costs are excessively high, or if leasing and use terms lack flexibility, the HSK Logistics Cluster's attractiveness to the industry will be reduced. Although the land cost in the new development area may be lower than that of the logistics sites in urban areas, developing modern multi-storey logistics facilities involves significant construction costs, especially for high-specification modern logistics facilities with heavy duty flooring and large vehicle ramps, the construction of which is significantly more expensive than ordinary industrial buildings. These costs will pose a challenge to enterprises investing in the construction of logistics facilities, which will inevitably affect the rental level, potentially making operating costs in the area higher than those of the warehouses on brownfield sites or logistics parks in Shenzhen. Particularly, a high entry barrier may deter cost-sensitive small and medium-sized logistics enterprises, and that would impact the diversity of tenants.

3.4 Opportunities

Sustained Growth in High-value Goods Re-export and E-commerce

Hong Kong's sustained growth in high value goods re-export and e commerce presents significant market opportunities for the HSK Logistics Cluster. As a separate customs territory, Hong Kong's free port status allows companies to store and consolidate most high-value goods and provide value added services in respect of them in Hong Kong without the need to consider associated import and export tax costs. According to the figures from the Census and Statistics Department, the export value of high value goods recorded substantial growth over the past decade . These goods include electronic products (up by about 43%), jewellery and precious metal articles (up by about 49%), works of art, collectors' pieces and antiques (up by about 540%), and medicinal and pharmaceutical products (up by about 33%). This trend will drive the demand for modern logistics facilities in the HSK Logistics Cluster with temperature control, high security and smart inventory management, in order to provide modern logistics services for the above cargoes that require stringent storage conditions. The HSK Logistics Cluster can leverage Hong Kong's advantage in institutions, professional services and international network to focus on high-end logistics development.



1. The analysis is based on data extracted using the relevant Hong Kong Harmonised System commodity codes from the Census and Statistics Department's Interactive Data Dissemination Service for trade statistics.

Furthermore, the sustained growth of e-commerce is also a key opportunity for the HSK Logistics Cluster. For cross-boundary e-commerce, most related cargoes currently originate from the Chinese Mainland for export. According to the data from the Ministry of Commerce, the total export value of e-commerce cargoes from the Chinese Mainland increased from RMB 200 billion in 2015 to RMB 2 trillion in 2024, a nearly 10-fold increase[2].

Many cross-boundary e-commerce platforms choose HKIA as their export gateway due to Hong Kong's proximity to Guangdong Province (where manufacturers of cross-boundary e-commerce cargoes are concentrated) and HKIA's dense route network and high flight frequency. The HSK Logistics Cluster can utilise its ample space to set up and operate air cargo security screening facilities through the "Regulated Agent Regime for Air Cargo Security" (RACSF), combining functions such as security screening, palletisation, and customs declaration, allowing e-commerce cargoes to be quickly transported by air to destinations worldwide, thereby fulfilling the role of an "airport logistics back-up base.“

For the local market, according to the figures of the Census and Statistics Department, e-commerce as a percentage of total retail sales in Hong Kong increased from 3.1% in 2016 to 8.4% in 2024[3]. The growth of the local e-commerce market and consumers' rising demand for timely deliverables have increased the need for strategically located e-commerce distribution centres, and the HSK Logistics Cluster can fulfil such last-mile delivery demand.

2. The figures are derived from a comparison of data presented in the China Ministry of Commerce’s reports Development of E-commerce in China 2024 and China E-commerce Report 2015.
3. Calculated using the data on the retail sales value by selected major retail categories available from the Census and Statistics Department.

RACSF

To align with the International Civil Aviation Organization's (ICAO) requirements for enhanced air cargo security, the Civil Aviation Department has launched the RACSF . The scheme permits the air cargo logistics industry to install regulated screening facilities at off-airport locations (such as logistics centres) to conduct 100% security screening on air cargo to ensure compliance with specified security regulations. The scheme includes strict security requirements on screening equipment, personnel training and site security measures.

RACSF
(Photo Source: Civil Aviation Department)

Commissioning of the Three-Runway System

The commissioning of the Three-Runway System (3RS) at HKIA has significantly boosted Hong Kong's air-cargo handling capacity. It is projected that by 2035, the airport's annual cargo throughput will reach 10 million tonnes . This massive capacity expansion requires corresponding back-up land support, and land resources on the airport island are limited, creating opportunities for off-island logistics facilities to undertake part of the air cargo logistics operations. The HSK Logistics Cluster, being only an approximate 25-minute drive from HKIA, is capable of handling cargo destined for the airport via land-air multimodal transport. Logistics facilities in the HSK Logistics Cluster can perform palletisation and security screening for air cargo in advance, enhancing overall air freight efficiency and consolidating Hong Kong's status as an international aviation hub.

Hong Kong International Airport 3rd Runway
(Source: Hong Kong Airport Authority)

4. According to figures from the Airport Authority Hong Kong.

Cross-boundary Freight Movement under the "East-In East-Out, West-In West-Out" Arrangement

The optimised "East-In East-Out, West-In West-Out" arrangement for Hong Kong–Shenzhen cross-boundary freight movements presents an opportunity for the HSK Logistics Cluster. The cargo clearance service of Huanggang Port ceased in 2025, and cross-boundary lorries entering and exiting western Shenzhen, Dongguan, Foshan and Guangzhou now have to use the Shenzhen Bay Port instead. The study estimates that the over 3,000 daily lorry trips that used to use the Lok Ma Chau Control Point will largely shift to the Shenzhen Bay Port. The HSK/HT NDA, being adjacent to the Shenzhen Bay Port, will naturally become the major cargo distribution centre for "West-In West-Out" cargo flow. This means that cargo from western Shenzhen, Dongguan, Foshan and Guangzhou will converge here for consolidation and re-export. This pattern ensures an adequate and stable supply of cross-boundary cargoes to support the long-term development of logistics facilities within the HSK Logistics Cluster.

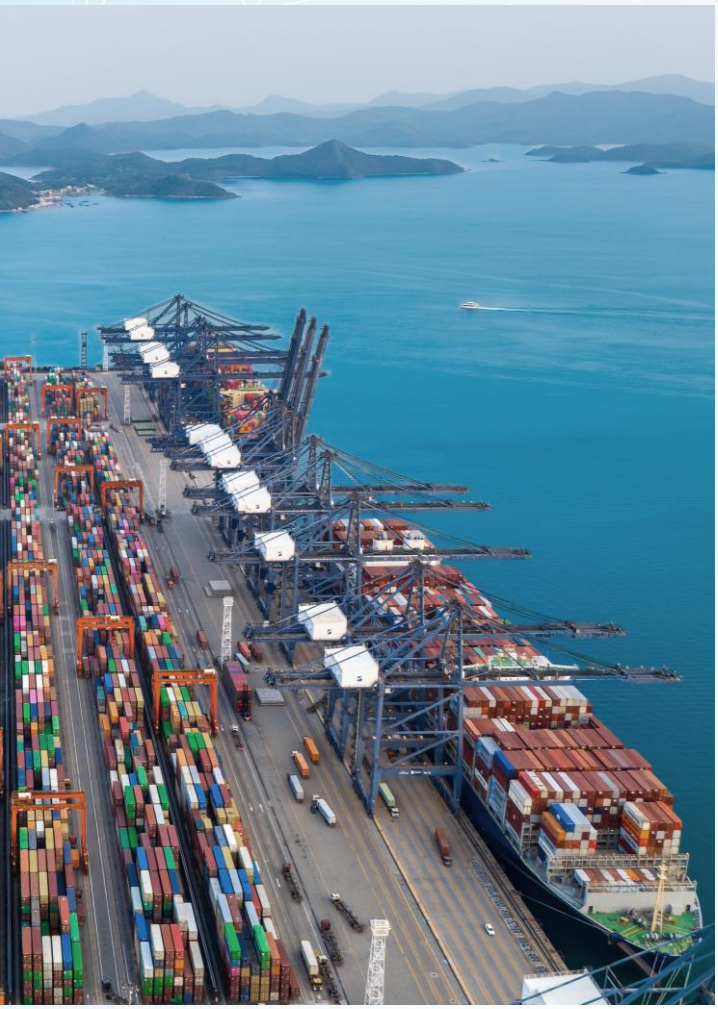
5. According to the Transport Department Monthly Traffic and Transport Digest: Lok Ma Chau Crossing Vehicular Traffic (January to October 2025).

3.5 Challenges

Trade Barriers Caused by Geopolitics

The continued tension in the global geopolitical landscape, particularly the United States (US)-China trade friction and various trade restrictions imposed by the European Union (EU) and US on China, poses a significant threat to Hong Kong as a transshipment hub. Hong Kong's logistics industry is highly reliant on the connection between the Chinese Mainland's manufacturing sector and the international market. With Western countries pushing for supply chain "de-risking" and erecting tariff barriers, some multinational enterprises are relocating production lines from the Chinese Mainland to Southeast Asia or Mexico, affecting the sources of transshipment and re-export cargoes for Hong Kong.

Furthermore, any further tightening of export controls on high-tech products (such as semiconductors and high-end electronic components) may affect the development of logistics businesses involving high-value goods in the HSK Logistics Cluster. Uncertainties in such external political environment could affect cross-boundary cargo flow and corporate investment decisions, and have ripple effect on the development of the HSK Logistics Cluster and Hong Kong's logistics industry.



Competition from Neighbouring Regions

Despite the HSK Logistics Cluster's strategic location advantage, the rapid rise of other logistics hubs in the GBA has brought fierce competition. Logistics parks in Shenzhen (e.g. Qianhai, Yantian) and Guangzhou (e.g. Nansha) have significantly upgraded their infrastructure and level of automation in recent years and still command notable advantages in land rent and labour costs. With increasingly frequent sailings on international routes from Chinese Mainland ports and the introduction of customs facilitation measures by various places, more cargoes are shipped directly from Chinese Mainland ports instead of being shipped via Hong Kong. Hong Kong needs to demonstrate its distinct competitiveness manifested in its efficiency of handling high-value cargoes, its institutional advantages (e.g. free port with no import/export duties on most goods, legal system), or its high-end value-added services (e.g. cold chain certification, high-security warehousing), to offset its comparative weakness in terms of operating costs and ensure its regional competitiveness.

Overall, although the HSK Logistics Cluster, a novel concept in Hong Kong, faces certain challenges in its initial development stage, in the face of the global trend towards logistics modernisation, competition from neighbouring cities, and the insufficient supply of high-specification logistics facilities in Hong Kong capable of accommodating high-tech modern logistics equipment, Hong Kong's logistics industry needs a breakthrough mindset, as well as sufficient space to develop modern logistics. We believe that with its superior geographical location and transport connectivity, its edge in technology and talent in logistics, and its superb customs efficiency, the HSK Logistics Cluster will effectively leverage Hong Kong's advantage in sea, land, and air logistics, become a logistics hub specialised in handling high-value and time-sensitive cargoes, form a logistics industrial cluster, and build a smart and green logistics ecosystem. This view was widely shared by the industry stakeholders interviewed during the study.

Chapter 4 Conceptual Plan and Development Directions of HSK Logistics Cluster

4.1 Conceptual Plan of HSK Logistics Cluster

Stakeholders' Views

Regarding the development of the HSK Logistics Cluster, the study team interviewed stakeholders such as logistics facility developers, logistics enterprises, advisory and statutory bodies, and logistics trade associations. They generally agreed that the HSK/HT NDA has a superior geographical location and convenient transportation, which can allow it to become a logistics gateway to the GBA. They were of the view that developing the HSK Logistics Cluster will help support modern logistics operations, enhance efficiency, attract high value-added businesses, and consolidate Hong Kong's role in the regional supply chains.

Stakeholders suggested that the HSK Logistics Cluster should focus on logistics fields where it has district advantages, such as high-value goods logistics and e-commerce logistics, to enhance the overall competitiveness of Hong Kong's logistics industry. They believed that Hong Kong, with its free port policy and efficient customs clearance, has great potential to develop re-export businesses for high-value cargo such as electronic components, pharmaceuticals, and jewellery. Therefore, they recommended that the HSK Logistics Cluster should be equipped with high-specification security and temperature/humidity control facilities to meet the logistics demand for related high-value cargoes. Stakeholders also emphasised the importance of value-added services to allow one-stop completion of warehousing, sorting, and processing procedures for high-value cargoes within the area, further consolidating its function as a supply chain hub.

For e-commerce business, stakeholders pointed out that HKIA's broad aviation network with high flight frequency could meet the high throughput demand of the e-commerce industry, making it suitable as a regional hub for international distribution. In addition, Hong Kong's logistics ecosystem is supported by a large number of small and medium enterprises (SMEs) providing freight forwarding services. When developing the HSK Logistics Cluster, in addition to attracting large enterprises, SMEs' operations must also be accommodated. The HSK Logistics Cluster can maintain its flexibility and competitiveness in the international supply chain by providing competitively priced and flexibly configured warehousing facilities through resource sharing and appropriate planning. In response to emerging logistics trends, stakeholders suggested leveraging the HSK Logistics Cluster to strengthen cross-boundary low-altitude cargo transport collaboration and plan relevant infrastructure in advance to complement the development of low-altitude economy.

Conceptual Plan of the HSK Logistics Cluster

Based on stakeholders' views, the SWOT analysis of Hong Kong's logistics development, and international trends in trade logistics, the study formulated a conceptual plan for the HSK Logistics Cluster, which is divided into five zones for the development of logistics businesses such as high-value goods logistics, e-commerce logistics, freight forwarding, and low-altitude economy. This allows similar businesses to develop within the same zone with agglomeration effect (e.g. concentrating cross-boundary e-commerce enterprises in the e-commerce zone can facilitate the sharing of facilities and human resources, and joint investment in automated equipment), while different zones can be functionally complementary (e.g. the processing area in the high-value goods logistics zone can provide high-end value-added services for the e-commerce zone), promoting the organic development of the industry chain. One parcel of land will be used as the depot of the SGMTS for the operation of the SGMTS in the region.

In a constantly changing economic environment, the Government will invite the industry to submit EOI before launching each land parcel, so as to ensure that the planning of the HSK Logistics Cluster keeps pace with industry needs.

Figure 3: Conceptual Plan of the HSK Logistics Cluster

Industry Spatial Planning

The logistics operations in the following five zones are indicative in nature, and the specific development directions will only be finalised after collecting and studying the industry's intentions prior to land disposal.

- **High-value Goods Logistics Zone (Zone A)** (approx. 5.0 ha): Logistics operations for high-value goods (such as high-end electronic products, jewellery and pharmaceuticals) generate less noise and dust, and require a lower volume of logistics vehicles compared with other logistics operations. Zone A is geographically closer to the HSK town centre, making such logistics activities more compatible with the surrounding urban environment. This area will accommodate high-efficiency warehouses equipped with security monitoring and management facilities to support the handling of high-value goods.

- **E-commerce Logistics Zone (Zone B)** (approx. 10.2 ha): According to the current programme for site formation and infrastructure works in the HSK/HT NDA, Zone B is expected to have logistics land available earlier, which provides extensive operational space to handle large volumes of fast-moving goods, high-speed sorting and palletisation processes, as well as security screening procedures prior to air shipment.

- **Freight Forwarding cum Low-altitude Economy Zone (Zone C)** (approx. 4.5 ha): As the surrounding buildings are relatively low-rise, and it is the zone closest to the Hong Kong-Shenzhen Western Highway in the HSK Logistics Cluster, thereby being more open in space, Zone C has better air draft clearance comparing with other zones, providing room for developing low-altitude economy. Low-altitude infrastructure may be accommodated on the rooftops of logistics facilities, on designated platforms on different floors, or open areas. The zone will also provide flexible warehousing space for small and medium-sized enterprises offering freight forwarding services.

- **Smart and Green Mass Transit System Depot Zone (Zone D)** (approx. 4.2 ha): This zone will accommodate the proposed depot of the SGMTS, and will also allow for the development of facilities related to HSK Logistics Cluster.

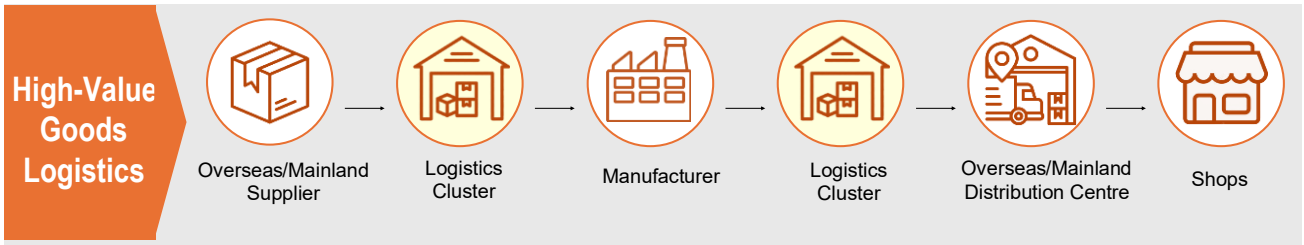
- **Future Expansion Zone (Zone E)** (approx. 7.4 ha): As the land resumption and development horizon for Zone E will be later than other zones, it is recommended that land in this zone should accommodate such businesses as freight forwarding and e-commerce, in response to future trends in logistics development.

Focused Logistics Fields

High-value Goods Logistics

High-value goods logistics mainly operates in the form of contract logistics, providing enterprises with long-term modern logistics services for high-value goods such as electronic products, jewellery, artworks/antiques and pharmaceutical products. Through service chain extension (e.g. functional testing for high-end electronic components, customised packaging for luxury goods), logistics is transformed from simple cargo transport into a key value-added segment in the supply chain.

Business Flow

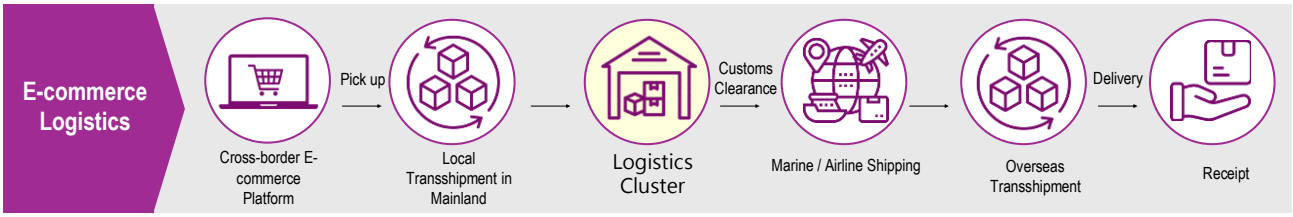


A Hong Kong logistics enterprise has been commissioned by a mobile phone manufacturer to import electronic components from around the world by air into Hong Kong. Value-added services such as packaging and labelling are carried out in Hong Kong. The components are then delivered to factories in other parts of the GBA according to actual production needs. Upon completion of production, the finished mobile phones are exported via Hong Kong to destinations worldwide.

E-commerce Logistics

E-commerce logistics mainly covers cross-boundary air express parcels generated by transactions on e-commerce platforms, leveraging the advantages of HKIA's air network and the convenience of security screening brought by the RACSF Scheme. It provides consolidation, sorting, palletisation, security screening, customs declaration, and air/sea distribution for e-commerce parcels, as well as handling returns, refurbishment, and quality inspection. It also provides local e-commerce distribution services.

Business Flow

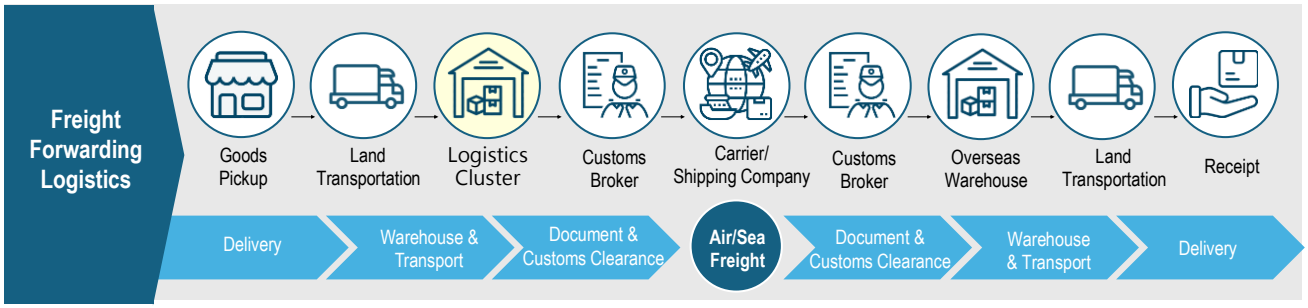


A Hong Kong logistics enterprise provides cross-boundary logistics services for a well-known Chinese Mainland apparel e-commerce platform. Goods sold on the platform are received from the Chinese Mainland and sorted at a logistics centre in Hong Kong according to their destination. The sorted goods are then palletised and undergo security screening before being transported to the airport for export to various destinations.

Freight Forwarding

Freight forwarding is project-based cargo services, mainly provided by numerous SMEs in Hong Kong. Services include consolidating the cargo space resources secured from shipping and airline companies, handling the goods delivered by shippers (including cargo consolidation, unpacking and distribution, repackaging and labelling, providing customised transport solutions for cross-boundary cargoes) and assisting shippers with complex international trade compliance and customs declaration procedures.

Business Flow



A Hong Kong freight-forwarding enterprise provides international logistics services for a cross-boundary trading company. These services include designing multimodal transport solutions (sea, air and land) for shipment of large volumes of fashion apparel, booking cargo space with shipping and airline companies, arranging cargo pick-up and loading, and providing warehousing and other value-added services at logistics facilities in Hong Kong. Such value-added services include delivery inspection, import/export customs clearance, special permit applications, cargo tracking and delay handling.

Commodity Trading

Trading of commodities, which account for more than half of the global shipping trade volume, generally involves three main categories of commodities, namely: (a) energy and industrial commodities, (b) agricultural commodities, and (c) metal mine commodities. Attracting the presence of physical commodity traders to Hong Kong will propel the industry towards a more vibrant trajectory. As an international financial, trade, and shipping centre, Hong Kong has a unique advantage of connecting the Chinese Mainland and the rest of the world under "One Country, Two Systems". In particular, the free flow of capital, goods and information, coupled with efficient financial, logistics and professional services, as well as a convenient and accessible transportation network, underlies Hong Kong's enormous potential for developing commodity trading. In this regard, the Government is actively building a commodity trading ecosystem and has established the Strategic Committee on Commodities to guide and plan the development of commodity trading in Hong Kong. The Government also plans to provide a half-tax concessionary regime for physical commodity trading business to encourage the development of commodity-related businesses in Hong Kong, and providing commodity warehouses in Hong Kong will meet the physical delivery needs of related commodities.

Low-altitude Economy

The HSK Logistics Cluster is located in the north-western part of the New Territories, less than 10 kilometres from Shenzhen in direct distance. It possesses favourable conditions for trialling low-altitude flight activities, particularly cross-boundary low-altitude logistics operations. In fact, low-altitude flight applications have already been adopted in logistics scenarios in the Chinese Mainland, while in Hong Kong, the Transport and Logistics Bureau is currently implementing the "Regulatory Sandbox" and "Regulatory Sandbox X" pilot schemes, which include logistics application scenarios. The study recommends reserving space within the HSK Logistics Cluster to allow greater development flexibility, and to accommodate the medium- to long-term development of low-altitude economy for logistics-related purposes such as supporting cross-boundary delivery by UAVs, emergency transport and logistics services for remote areas to strengthen the resilience of the overall logistics network.

Low-altitude Economy Regulatory Sandbox and Regulatory Sandbox X

To promote the development of low-altitude economy, the Government has introduced a two-stage pilot mechanism to test new technologies and regulatory frameworks. The first-stage Regulatory Sandbox, launched in early 2025, focuses on lower-risk local applications of small UAVs with the aim of building operational experience and gathering foundational data. The enhanced Regulatory Sandbox X, launched in November of the same year, with "X" meaning "extended" and "extra", is designed to cover more complex scenarios such as cross-boundary low-altitude UAV operations, passenger-carrying aerial vehicles and integrated operation platforms. This mechanism enables the industry to test frontier applications under specific conditions, thereby assisting the Government in formulating policies and regulatory indicators that align with the latest technologies and industry needs.

4.2 Development Directions of HSK Logistics Cluster

Stakeholders' Views

Some stakeholders pointed out that anchor enterprises with large cargo throughput (such as logistics enterprises for large cross-border e-commerce platform) should be introduced in the initial development stage of the HSK Logistics Cluster. This can effectively attract upstream and downstream logistics enterprises and related organisations to move in, thereby forming an organic logistics ecosystem. They also believed that providing tailor-made leasing or development terms can increase investment certainty. Furthermore, some stakeholders emphasised that while attracting anchor enterprises, they should also be required to make clear commitments and relations to development scale, innovation adoption, development of smart systems, and pursuit of green logistics development to ensure the effective use of Hong Kong's valuable land resources and promote the high-quality development of modern logistics in Hong Kong.

In addition, many stakeholders opined that the Government must create a market-enabling environment for market participation. Besides the disposal of logistics land in an orderly manner having regard to market demand, it is also necessary to adopt flexible development modes to adapt to rapid market changes, such as inviting joint submission of development proposals by industry enterprises and funds, and not limiting to solely adopting the "highest bidder wins" principle in logistics site disposal. The development scale for the logistics sites should also be flexible to reduce development cost and facilitate the formation of a logistics ecosystem. Given the longer payback period for investment in smart logistics equipment, stakeholders considered that providing a relatively longer period of tenancy leases is key to encouraging enterprises to make capital investments in smart logistics and promoting industry automation.

In terms of facility planning, there were comments that high headroom and large floor space should be allowed to accommodate modern logistics high-tech equipment such as automated sorting systems to enhance cargo handling efficiency. Although there are mechanisms to handle high headroom building applications, stakeholders believed that the Government's relaxation or adjustment of the GFA calculation method for floors with high headroom floors will provide greater policy certainty to the market and help enhance space utilisation efficiency and investment attractiveness of the facilities. At the same time, some considered that it was necessary to take into account cost control and operational flexibility, relatively low-rise logistics facilities could be built to meet the logistics demand of fast-moving e-commerce cargo. Regarding green logistics, the industry agreed that ESG has become an international trend, and large customers also have clear requirements on green building standards. Therefore, they considered that the HSK Logistics Cluster should promote the development of logistics facilities that can meet smart and green logistics requirements through early planning, such as mandating the provision of green amenities like electric goods vehicle charging facilities or energy-saving installations in logistics facilities.

As for the international trend of providing diversified value-added services beyond logistics, stakeholders generally opined that allowing such services on the logistics sites in the Logistics Cluster will significantly enhance the attractiveness and financial viability of developing logistics projects within the cluster. Therefore, they expressed that land uses should be relaxed to allow the inclusion of production, testing, or related industrial uses. Furthermore, some stakeholders suggested that the infrastructure planning for the HSK Logistics Cluster should include low-altitude transport supporting facilities to support the development of low-altitude economy.

Regarding the pace of land disposal, as the HSK Logistics Cluster would provide over 30 hectares of logistics land, stakeholders suggested consulting the industry through EOI before land disposal. They considered that the Government should closely monitor changes in market supply and demand and release land in an orderly manner.

Three Development Directions

After considering stakeholders' views and conducting market analysis, this study establishes three directions for the development of the HSK Logistics Cluster and proposes corresponding implementation measures. Subsequent chapters will elaborate on the details of such development directions and implementation measures.

Direction 1 : ENTERPRISE-ORIENTED

to establish
industry cluster

Direction 2 : MARKET-ENABLING ENVIRONMENT

to make use of
market forces

Direction 3 : INNOVATIVE APPROACH TO DRIVE INDUSTRY DEVELOPMENT

towards
smart & green

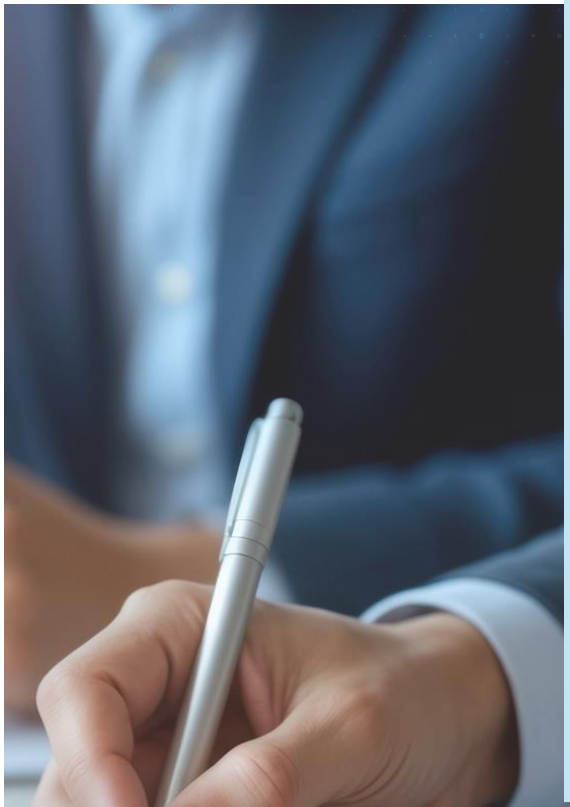
Chapter 5
Enterprise-Oriented

5.1 Principle of "Enterprise-Oriented"

Formulating the Development Blueprint based on Enterprise Needs

The planning of the HSK Logistics Cluster marks a significant turning point in Hong Kong's logistics land development strategy. As a pilot project under the Action Plan on Modern Logistics Development to drive the logistics industry towards high value-added development, the study puts forward an "enterprise-oriented" approach as the primary development principle. Logistics land supply should be driven by industry demand an the Government must understand the business logic and operational requirements of various modern logistics enterprises thoroughly to formulate a development blueprint that aligns with the actual situation of the industry and is attractive to the market.

The "enterprise-oriented" strategy is also actualised through nurturing an industry ecosystem, which is unlikely to form by itself just through the supply of land. The study recommends that the Government should proactively assist in establishing industry clusters to drive the entire HSK Logistics Cluster towards high value-added development.



Development strategies based on the "enterprise-oriented" direction are conducive to creating a market-enabling environment. By incorporating enterprises' business considerations into preliminary planning and conducting thorough consultation prior to land disposal, the Government could make more flexible arrangements regarding land lease terms, sub-letting durations, and development modes, ensuring the developments would meet the market needs better and contribute more effectively to overall industry development.

Unlike traditional logistics that is often purely about warehousing, modern logistics is highly dependent on automation, green and energy-saving technologies and diversified value-added services. This leads to entirely different requirements from the past regarding the specifications of logistics facilities (e.g. usage, floor-to-floor height, floor loading capacity, single-floor area). Therefore, if the formulation of development parameters does not take account of actual operations of enterprises, it will be difficult to for the relevant developments to meet their operation needs.

5.2 Measure (1): Attract Anchor Enterprises

Anchor Enterprises and Industry Clustering

The study recommends tailor-making entry terms for anchor enterprises to match their specific operational requirements to drive the formation of an industry cluster in the HSK Logistics Cluster.

Relevant entry terms can cover land grant arrangements, land premium concessions, or subsidies to attract high value-added industries and high-potential leading enterprises to move into the HSK Logistics Cluster. Anchor enterprises must make clear commitments to development scale, deployment of technology and innovation, use of smart systems, and pursuit of green logistics development to ensure that the land resources are used to promote industry upgrading and overall economic growth. In fact, the 2025 Policy Address also suggested that the Government would formulate preferential policy packages including land grants, land premiums, financial subsidies, and tax incentives. Depending on the circumstances, entry terms for the HSK Logistics Cluster may be included in the preferential policy packages to attract high value-added industries and high-potential enterprises to set up in Hong Kong.

Under this mechanism, anchor enterprises will become the core driving force of the HSK Logistics Cluster. They will act as the "cargo traffic engine" of the supply chain in the area, bringing a stable cargo volume base and high-frequency logistics activities. Their logistics operations will also generate other logistics demands, thus creating a strong magnetic effect that naturally attracts upstream and downstream businesses such as manufacturing, processing, and supply chain management to gather in the logistics cluster, forming a complete industrial chain. Their high-standard operational model will also set an example for other enterprises in the cluster, and through resource sharing and business co-operation, drive SMEs within the HSK Logistics Cluster to elevate their service standards, ultimately building a modern logistics ecosystem with economies of scale and competitiveness.

Chapter 6
Market-Enabling Environment

Lowering Entry Barriers and Enhancing Market Responsiveness of the HSK Logistics Cluster

The HSK Logistics Cluster is an industry agglomeration area specifically designed for logistics in a new development area. In the initial development stage, when the industry agglomeration effect has yet to form, enterprises may adopt a wait-and-see approach towards moving in. In particular, the cost of moving into the cluster will be important, and development costs are closely linked to the development parameters, development scale and overall financial viability of the development. Therefore, the study recommends that the development of the HSK Logistics Cluster must, on one hand, minimise the costs for business entry and, on the other hand, closely follow the market pulse, ensuring that the development does not become disconnected from market demand and circumstances of development, thereby enabling the HSK Logistics Cluster to become an industry cluster with lower costs that effectively accommodates and promotes the development of logistics in Hong Kong.

6.1 Measure (2): Flexible Development Modes

The study recommends that the HSK Logistics Cluster adopts different development modes, including non-traditional means of land disposal, allowing the development of lower-rise logistics facilities, consolidating suitable land parcels to create larger plots, and facilitating the provision of longer subletting terms. Such measures are intended to reduce the development costs for enterprises and ensure that the supply of logistics land is better aligned with the spatial requirements of the industry.

The development modes of the HSK Logistics Cluster must be based on operational efficiency and financial viability of modern logistics. To meet the specific operational needs of modern logistics, it should provide sizeable plots, allow low-rise facilities that enable the application of large-scale automated equipment to enhance operational efficiency. Moreover, as smart facilities require significant capital expenditure and entail a long payback period, if logistics facility owners could offer longer subletting terms, it will provide a clearer investment prospect, help enterprises spread out costs, and encourage installation of high-specification equipment, thereby allowing sustainable development.

Traditional Cash Tendering Model

The traditional cash tendering model has long been adopted in Hong Kong. Most logistics sites around the KTCTs were put on the market through this mechanism. A recent example is Tsing Yi Town Lot No. 202, awarded in early 2025. The model adopts the “highest bidder wins” principle, which is suitable in a business environment where the market is flushed with liquidity and investment demand is strong. With its operational simplicity and efficiency, this tendering method enables land resources to be swiftly allocated to the most operationally efficient developers, facilitating the rapid development of logistics sites.

Tsing Yi Town Lot No. 202

Two-Envelope Tendering System

Gleneagles Hospital
(Photo Source: Gleneagles Hospital Hong Kong)

There are many examples of adopting the ”two-envelope” approach in government procurement. For instance, to ensure that private hospital development meets community needs, the Government adopted the “two-envelope” approach for the Gleneagles Hong Kong Hospital project. Tenderers were required to submit a non-price proposal and a price proposal. with the non-price proposal accounting for 70% of the total score, and the price proposal accounted for 30%. This approach shifts the evaluation focus from price to a combination of service quality and price, ensuring the selection of the most suitable operator.

Industrial Park Company Model

This model is primarily adopted by the Hong Kong Science and Technology Parks Corporation (HKSTP) and Hong Kong-Shenzhen Innovation and Technology Park Limited (HSITP). The Advanced Manufacturing Centre, developed and managed by HKSTP, is one such example. Under this model, the industry park company undertakes the construction, leasing and management of a development. Since such companies have clearly defined functions and government oversight, they can effectively support the implementation of specific policy initiatives while maintaining operational autonomy to ensure policy objective achievement and management efficiency.

The Advanced Manufacturing Centre
(Photo Source: HKSTP)

Public-Private Partnership (PPP) Model

The AsiaWorld-Expo
(Photo Source: AsiaWorld Expo)

Hong Kong also has precedents of large-scale facilities being jointly developed by the Government and the private sector. For instance, the AsiaWorld-Expo was developed under such a PPP model at its early development stage. This approach enables the effective use of the private sector’s operational expertise while achieving public-policy objectives, ensuring effective participation by all parties and optimal allocation of resources.

6.2 Measure (3): Market-oriented Development Conditions

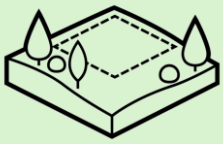
In view of the evolving economic environment, the study proposes inviting the industry to submit EOI prior to land disposal, so as to gauge market demand and obtain the industry's views on development parameters, development scale and financial viability.

For example, in terms of development parameters, the relevant development parameters stipulated in the Hung Shui Kiu and Ha Tsuen Outline Zoning Plan (namely a maximum plot ratio of 5 and a maximum building height of 110 mPD) are only the upper limits for the development of the HSK Logistics Cluster. The study recommends that the development scale of the HSK Logistics Cluster needs to be flexible, and the specific requirements should be further determined after analysing the market demand to echo the Government 's investment promotion policy. Therefore, the HSK Logistics Cluster sites will be released for market development in an orderly manner based on the development intents of the industry for the relevant sites as expressed in EOI, as well as actual market conditions.

Key Objectives of the EOI Exercise

Gauging Market Conditions

- **Development Modes:** Draw on market feedback to determine the most suitable development mode.
- **Timing for Land Release** : Make reference to market supply.
- **Business Focus** : Provide logistics facilities that meet specific needs of logistics business.



Optimising Development Parameters

- **Site Area for Release** : Flexibly consolidate or subdivide land parcels according to enterprises' needs as reflected in the EOI.
- **Development Scale** : Adjust the minimum requirements on development scale under land lease, based on market feedback.

Optimising Technical Requirements

- **Technical Requirements** : Understand the market expectation on building design requirements for logistics facilities (such as floor-to-floor height and low-altitude economy infrastructure requirements) to meet the operation needs of the industry in applying smart and green logistics technologies, by taking into account market views.

Optimising Financial Arrangements

- **Financial Viability** : Ensure that the development parameters and land lease terms are financially feasible.
- **Financial Arrangements** : Set appropriate financial arrangements in accordance with the market feedback.

Chapter 7
Innovative Approach to Drive Industry Development

Creating New Opportunities for Hong Kong's Logistics Industry

In face of rapid changes in the global trade landscape due to geopolitics and fierce competition from neighbouring regions, Hong Kong's logistics industry must adopt a breakthrough mindset, dare to innovate, and flexibly adapt to new trends in international logistics development in order to open up new markets and forge new paths for Hong Kong's logistics industry. Therefore, for the development of the HSK Logistics Cluster, the study recommends encouraging logistics automation, assisting logistics enterprises in business transformation, embracing new opportunities brought by smart and green logistics and the low-altitude economy, while also allowing enterprises to provide other high value-added services beyond logistics, to enhance their international competitiveness in the high-value logistics service market.

7.1 Measure (4): Smart and Green Logistics Facilities

The study recommends improving the GFA calculation for high headroom logistics facilities to encourage the industry to adopt smart logistics equipment that demands greater operational space, reduce reliance on human resources, and promote industry development. The study suggests simplifying the GFA calculation method for high headroom, referencing stakeholders' views and relevant GFA calculation arrangements in the Chinese Mainland for promoting smart logistics. For the specific arrangements regarding the use of high headroom space and the calculation of its GFA, we recommend working with the relevant bureaux and departments to formulate practice guidelines for the industry's reference. In drawing up the guidelines, we will also consult the industry and relevant stakeholders.

The study recommends encouraging the incorporation of green elements (such as electric goods vehicle charging facilities and energy-saving installations) in logistics facilities to help enterprises to meet ESG requirements and enhance the competitiveness of the industry. The EU has mandated that listed companies and large unlisted companies disclose "Scope 3 emissions" data of their upstream partners in 2025 and 2026 respectively. This requirement is expected to create a ripple effect, compelling SMEs worldwide to improve their sustainability performance in order to maintain supply chain relationships and meet the expectations of major business partners. The green infrastructure can help Hong Kong's logistics enterprises to achieve emissions reduction and energy efficiency objectives under the "environmental" pillar of ESG and meet the procurement standards of major clients. This will not just allow companies to align with international norms, but also maintain the competitiveness of such companies and Hong Kong's as an international logistics hub.

AS/RS utilise high-rise racking systems supported by automated stacker cranes and conveyor systems to achieve high-density storage and automated retrieval under the command of a central management system. Such systems impose specific requirements on logistics facility specifications, particularly the need for high floor-to-ceiling heights to accommodate tall vertical racks and automated machinery. This allows warehousing to expand into the vertical dimension, which significantly enhances logistics efficiency and reduces reliance on manpower.

AS/RS

(Photo Source: Cainiao Smart Gateway)

6. Greenhouse gas emissions generated by enterprises are generally classified into three categories. Scope 1 emissions refer to direct emissions from sources that are owned or controlled by the enterprise. Scope 2 emissions cover indirect emissions arising from the purchase and consumption of electricity. Scope 3 emissions include all other indirect emissions generated along the value chain activities of an organisation, encompassing both upstream and downstream logistics operations.

7.2 Measure (5): Integrate Manufacturing, Processing and Modern Logistics

The study recommends that in addition to modern logistics services, such value-added elements of industrial manufacturing and processing should also be allowed in the HSK Logistics Cluster so as to foster the organic development of industry value chains. Modern logistics is no longer confined to traditional warehousing and transportation; it has increasingly extended upstream into production-related processes, with deeper integration between logistics and manufacturing.

The study proposes enhancing land use flexibility to accommodate activities such as assembly, packaging, testing, repair, light processing and even industrial manufacturing as value-added services and processes for logistics operation, and allow the construction of ancillary facilities. The study proposes to review the planned land uses in the statutory plans related to the HSK Logistics Cluster to appropriately broaden the scope of land use, enhance land use flexibility, and if necessary, propose amendments for approval by the Town Planning Board.

Allowing these processes to be undertaken within the HSK Logistics Cluster would significantly shorten the turnaround time between production and distribution. This is particularly important for high-value goods, such as advanced electronics, pharmaceuticals, cold-chain products and precision instruments, as they have stringent requirements on handling speed and precision. Undertaking such value-added logistics services as manufacturing and processing in the HSK Logistics Cluster would not only reduce the transportation costs and carbon emissions arising from transferring goods across multiple locations, but also enable enterprises to respond rapidly to changes in market demand, thereby enhancing the overall flexibility and resilience of the supply chain.

Furthermore, this integrated development model helps to build a more comprehensive industrial ecosystem. Logistics enterprises would no longer serve merely as service providers, but become strategic partners within the value chain. This will attract more multinational corporations and manufacturers engaged in high value-added activities to establish a presence, using Hong Kong as a regional distribution hub for final-stage processing and delivery. Such integration would not only improve land use efficiency, but also drive the logistics industry towards the development of higher value-added services, thereby helping them open up more new markets and reinforcing Hong Kong's position as an international logistics hub.

7.3 Measure (6): Accommodate for Low-altitude Economy Development

The study recommends reserving space within the HSK Logistics Cluster for the development of low-altitude economy and other industries as new productive forces, and provide low-altitude economy infrastructures (such as landing and taking-off facilities for unmanned aircraft). Low-altitude economy represents a new opportunity for Hong Kong. The Government has already introduced “Regulatory Sandbox” and “Regulatory Sandbox X” pilot schemes for low-altitude economy, which cover logistics distribution and cross-boundary unmanned aircraft operations for low-altitude economy.

By reserving space at the planning stage, not only can the necessary operating environment for unmanned aircraft logistics be provided, but the integration of traditional logistics with emerging low-altitude transport modes can be fostered, thereby helping to establish in the long run a three-dimensional and highly efficient modern logistics distribution system and reinforcing Hong Kong’s position as a leading international smart logistics hub.

Chapter 8
Project Implementation Matters

8.1 Implementation Modes

As the HSK Logistics Cluster involves multiple sites, the study recommends that the Government invite the industry to submit EOI before releasing particular logistics sites to understand market interests, and independently examine the economic benefits, implementation and financial arrangements for each development, with balance of the pros and cons to ensure that the most appropriate mode is adopted for relevant developments.

The HSK Logistics Cluster will provide an important land reserve for logistics development in Hong Kong. In fact, land formation requires time, and the Government will continue to undertake the planning and development of logistics land and build up a land reserve for logistics use, with a view to ensuring an adequate long term land supply. Such sites will be made available for development in a timely manner in response to market demand. The site formation and infrastructure works for the most of the study sites have already commenced under the second phase development of the HSK/HT NDA. According to the current programme, relevant works will be progressively completed two years after the completion of land resumption in 2026, with land anticipated to be made available in phases from 2028 onwards.

The Government will invite the industry to submit EOI in respect of the first logistics site in the HSK Logistics Cluster within 2026.

Chapter 9
Measures Overview

This study sets out recommendations for the development of Hong Kong's first modern logistics cluster, proposing six implementation measures under three strategic directions, namely "enterprise-oriented", "market-enabling environment" and "innovative approach to drive industry development", to support the development of the HSK Logistics Cluster.

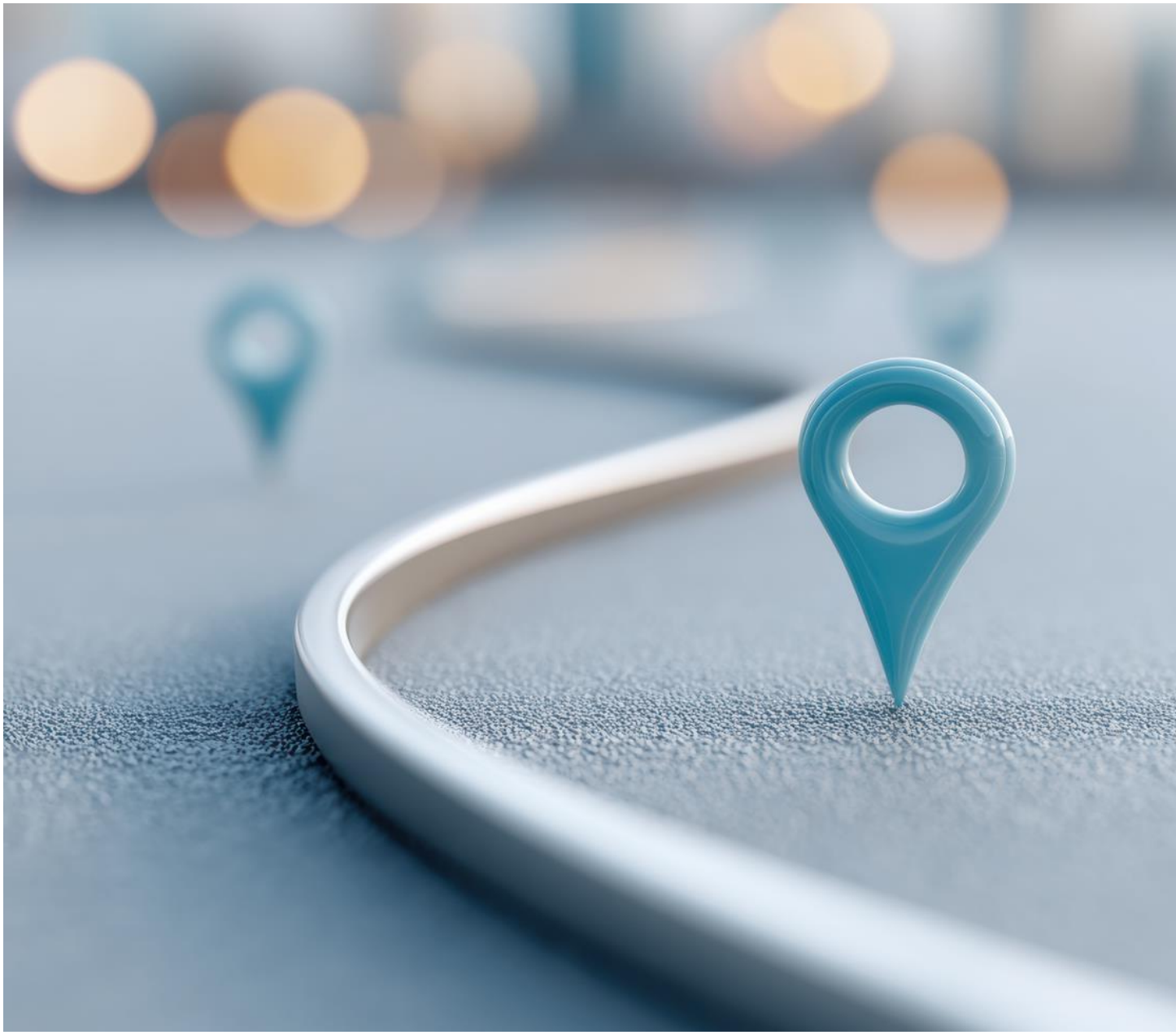
The Government, together with the Hong Kong Logistics Development Council, will continue to review the progress and effectiveness of these measures and make adjustments where necessary in response to actual circumstances. This will ensure that the strategies remain relevant, and respond to the needs of the industry.

Direction 1 : ENTERPRISE-ORIENTED		
Measure	(1) Attract Anchor Enterprises	Tailor-make entry terms for anchor enterprises to match the specific operational requirements while requiring commitments in respect of development scale, innovation adoption, and smart and green logistics development to drive the formation of an industry cluster.
Direction 2 : MARKET-ENABLING ENVIRONMENT		
Measure	(2) Flexible Development Modes	Adopt flexible development modes having regard to actual market conditions, including non-traditional means of land disposal, low-rise logistics development, consolidation of suitable land parcels to provide larger plots, and facilitate provision of longer sub-letting terms, to reduce development costs and enhance flexibility.
	(3) Market-oriented Development Conditions	Invite the industry to submit EOI prior to land disposal to gauge market demand and gather views on development proposals, including key development parameters, proposed development scale, and financial viability so as to ensure that the land development terms are aligned with the practical needs of the industry.
Direction 3 : INNOVATIVE APPROACH TO DRIVE INDUSTRY DEVELOPMENT		
Measure	(4) Smart and Green Logistics Facilities	Provide practice guidelines that improve GFA calculation for high headroom to encourage the industry to adopt smart logistics equipment that demands greater operational space, with a view to encouraging the adoption of smart logistics equipment that requires larger operational space, reducing reliance on manpower, and promoting the development of the industry. Encourage incorporation of green elements (such as electric goods vehicle charging facilities and energy-saving installations) in logistics facilities to help enterprises to meet ESG requirements and enhance the competitiveness of the industry.
	(5) Integrate Manufacturing, Processing and Modern Logistics	Review the land uses and incorporate value-added elements of industrial manufacturing and processing with modern logistics services, in response to the industry's shift towards higher value-added development, thereby fostering the organic development of the industry value chain.
	(6) Accommodate for Low-altitude Economy Development	Reserve space to support the development of low-altitude economy and other industries as new productive forces, and complement logistics-related low altitude economy such as delivery and cross-boundary UAV logistics operations, including by providing relevant infrastructure.

Closing Remarks

The HSK Logistics Cluster, as the pilot for logistics clusters in the Northern Metropolis, shoulders the important mission of promoting the transformation and upgrading of Hong Kong's logistics industry. The study report outlines the development plan for the HSK Logistics Cluster and proposes forward-looking and actionable recommendations and measures.

Overall, the HSK Logistics Cluster is not merely a development of logistics facilities; it represents an important step for Hong Kong to develop into a smart logistics hub. It will inject new impetus into the local logistics industry, facilitate regional economic and industrial upgrading, and further strengthen Hong Kong's status as an international logistics hub.



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Panel on Economic Development of the Legislative Council

Hong Kong Logistics Development Council

Yuen Long District Council Town Planning and Development Committee

Ha Tsuen Rural Committee

Airport Authority Hong Kong

The Chartered Institute of Logistics and Transport in Hong Kong

Hong Kong E-commerce Logistics Association

Hong Kong Association of Freight Forwarding and Logistics Limited

GS1 Hong Kong

The Hong Kong General Chamber of Commerce

https://www.lc-hskht.hk/

Transport and Logistics Bureau
The Government of the Hong Kong Special Administrative Region
of the People's Republic of China

CEDD **Civil Engineering and Development Department**