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For Discussion
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Legislative Council Panel on Economic Development

Enhancing the Competitiveness of Hong Kong as a Leading Transshipment Hub

PURPOSE

This paper consults Members on the legislative proposal to facilitate the transshipment of certain controlled goods routing though Hong Kong via sea-to-air transshipment, air-to-sea transshipment and sea-to-sea transshipment.

CURRENT POSITIONS AND CHALLENGES

2. Hong Kong is a premier logistics hub in Asia and gateway for trade between the Chinese Mainland and the rest of the world. Our strategic location, excellent connectivity, state-of-the-art infrastructure, sound legal system, high-quality service providers, competitive tax regime, and status as an international business and financial centre give Hong Kong a strong competitive edge. As a result, both our airport and seaport rank among the busiest in the world. The Central Government has also indicated clear support for Hong Kong to enhance its status as an international maritime

centre, international aviation hub and international trade centre in the recently promulgated the "Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China". To this end, the Government has in recent years been actively developing a multimodal transport network within the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), while striving to establish a comprehensive "rail-sea-land-river" intermodal transport system, so as to further expand Hong Kong's cargo hinterland and enhance its competitiveness.

3. Other cities in the GBA are Hong Kong's main cargo sources and destinations. Leveraging the excellent multimodal transport network between Hong Kong and these cities, as well as the international aviation and maritime networks, Hong Kong holds a distinct advantage in cargo transshipment, enabling it as a major transshipment hub for cargoes moving to and from the Chinese Mainland. However, the maritime, air cargo and logistics industry has been facing increasing challenges, such as keen competition from neighbouring airports and ports, as well as the unstable geo-political environment. It is therefore important that we galvanise our edge in transshipment to maintain the competitiveness of Hong Kong as a transshipment hub.

<u>Latest Development of Hong Kong as a transshipment hub</u>

Sea-to-air and air-to-sea transshipment

4. As mentioned above, the Government is committed to enhancing Hong Kong's multimodal transport network with the GBA to capture more

transshipment cargo for Hong Kong. In terms of sea-to-air and air-to-sea intermodal transport, the Airport Authority Hong Kong ("AAHK") has established the HKIA Dongguan Logistics Park ("Logistics Park"), allowing export cargoes from the Chinese Mainland to undergo security screening, palletisation and cargo acceptance in advance in Dongguan. Such cargoes are then transported by water to the Airside Intermodal Air Cargo Handling Facility within the restricted area of Hong Kong International Airport ("HKIA") for direct transshipment to overseas destinations (i.e. sea-to-air transshipment; the reverse flow is air-to-sea transshipment), eliminating the need for duplicate security screening. In 2025, compared with 2024, the Logistics Park handled over 32 000 tonnes of cargo, representing an increase of 84%; while the value of cargo handled reached HK$35 billion, an increase of 100%. The cargo types are mainly high-value goods such as electronic parts and e-commerce shipments, as well as alternative smoking products transshipped under the Alternative Smoking Products Transshipment Control Scheme.

5. Looking ahead, AAHK is progressively completing the permanent facilities for Phase 1 of the Logistics Park, including the structural works of the pier and the main logistics facility. At the same time, it is steadily advancing the installation of supporting facilities such as the cargo handling system and operations management system, with the aim of commencing commercial trial operation of Phase 1 of the Logistics Park on 1 April 2027 and full operation on 1 June 2027, and gradually achieving an annual throughput of 1 million tonnes. In addition, the AAHK has initiated preliminary study on the Phase 2 development plan to introduce more high-end air cargo logistics facilities to attract more cargoes to be transshipped

through Hong Kong by sea-to-air transshipment, and support the export of goods from the GBA to overseas markets.

Sea-to-sea transshipment

6. In terms of sea-to-sea transshipment, Hong Kong has been a regional transshipment hub, thanks for its swift customs clearance, high efficiency, extensive global network of destinations, and frequent sailings. Transshipment cargoes account for over 80% of the laden container throughput of the Hong Kong Port ("HKP"), making it the largest source of cargo for HKP. Meanwhile, shipping companies have also begun to choose Hong Kong for "phase-in phase-out operation", i.e. discharging all containers from a vessel, temporarily storing them at the container terminal, and then loading them onto another vessel. According to industry, whether additional permits are required for cargoes during such operation is a key factor of consideration for shipping companies when selecting the port for such operation. Therefore, exempting cargoes from permit requirements during transshipment in Hong Kong would greatly enhance the competitiveness of Hong Kong as a regional transshipment hub.

7. As mentioned above, the advantage of Hong Kong as a free port is the key reason for its status as a transshipment hub. With the exception of 41 types of goods to which licensing requirements are applicable (see **Annex 1**), most goods can enter and leave Hong Kong without import and/or export licences. The controls are applied for reasons of fulfilling our obligations under relevant international conventions, or meeting public health, safety or internal security needs, amongst others.

8. Such licensing requirements are equally applicable to transshipment cargoes, although certain transshipments are exempted on the condition that the risk of them being leaked into town is minimised. For instance, under the Air Transhipment Cargo Exemption Scheme ("Exemption Scheme") which has been in place since 2000, certain controlled goods (such as frozen or chilled meat, poultry and pesticides) (see **Annex 2**) that are transshipped through HKIA, consigned with a through bill of lading and confined in the airport restricted area during transshipment are exempted from licensing requirements that are otherwise applicable. However, there is currently no exemption for sea cargoes on transshipment in Hong Kong.

PROPOSED NEW MEASURES TO ATTRACT TRANSSHIPMENT CARGOES

9. In view of the foregoing, as announced in the Chief Executive's Policy Address in 2024, we undertook a study to extend the Exemption Scheme to other intermodal modes in order to enhance Hong Kong's transshipment regime. We conducted an extensive engagement exercise involving stakeholders including Member of the Legislative Council ("LegCo"), the logistics trade, container terminal operators as well as the air cargo industry,

10. According to industry, extending the exemption scheme to cover sea-to-air and air-to-sea transshipment as well as sea-to-sea transshipment would enable the industry (i.e. airlines, shipping companies and freight forwarders) to save processing time and costs, while attracting shipping companies to call

at Hong Kong, thereby enhancing our competitiveness. Taking a sea freight container as an example, as it currently takes about two to three working days to process a permit application, the proposed new measure is expected to save over 300 shipping agents and shipping companies in the maritime industry two days of waiting time for permits and the workload involved in preparing the applications. Transshipment cargoes would also be able to be shipped on the most suitable flights or vessels anytime upon arrival at HKP. This would also save cargo owners and freight forwarders storage charges incurred while waiting for permit applications. If a container has to wait at the terminal for two days due to permit application, the shipper or freight forwarder would have to pay an additional storage charge of about HK$500. According to the industry's estimation, the proposed new measure is expected to bring an additional 500,000 containers to HKP annually.

11. It is now proposed to extend the Exemption Scheme to cover (i) sea-to-air and air-to-sea transshipments and (ii) sea-to-sea transshipments.

Sea-to-air and air-to-sea transshipment

12. As part of its efforts to expand the catchment of HKIA, the AAHK has set up the Logistics Park to allow export cargo from the Chinese Mainland to go through security screening, palletisation and cargo acceptance in advance in Dongguan. Such cargoes will then be transported by sea to the Airside Intermodal Air Cargo Handling Facility in the restricted area of HKIA for direct transshipment to overseas destinations via HKIA's network (i.e. sea-to-air intermodal transshipment and air-to-sea transshipment for the reverse process), without the need to repeat the screening procedures.

13. The cargoes being transshipped this way are no different from those transshipped in an air-to-air mode in two aspects – (i) the cargoes do not leave the restricted area when they are in Hong Kong before they are flown out; and (ii) the requirements under Hong Kong Aviation Security Programme and Customs and Excise Department ("C&ED")'s Sea-to-air Transhipment Facilitation Scheme will be complied with. Therefore, cargoes transported under this mode would not be tampered with en route or released out of the airport restricted area of HKIA. As such, we are satisfied that such cargoes are secured enough to qualify for exemption from the relevant import and/or export licensing requirements like air-to-air transshipments under the Exemption Scheme.

Sea-to-sea transshipment

14. For sea-to-sea transshipment, since almost all of such cargoes are transported by containers carried into and brought from Hong Kong by ocean-going vessels berthing at Kwai Tsing Container Terminals ("KTCT"), we propose that the exemption should be applied to transshipment within KTCT only, and that corresponding facilities and systems will be installed by container terminals to achieve intelligent management.

15. Security measures at KTCT will be enhanced and protocols on handling controlled goods in transshipment thereat will be put in place to minimise the risk of leakage into town or illegal diversion within KTCT of such controlled goods to the satisfaction of C&ED. In addition, all containers carrying cargoes that are eligible for the Exemption Scheme would

be required to be stored in designated secure container yards ("DSCY") during transshipment at KTCT. There are four DSCYs at KTCT, which can accommodate 140 containers. The integrity of the DSCY will be ensured by surveillance through 24-hour CCTV equipped with AI detection function, so that only eligible and pre-registered personnel may approach the DSCY. Also, containers containing controlled goods will only be stored at second level or above in container stacks at DSCYs, so that no individuals may approach the containers containing the controlled goods concerned. Further, C&ED will also have access to container terminal operators' intranet so as to obtain real-time data regarding the details and location of the containers in question. Containers will only be transshipped between Container Terminal no. 1-8 ("CT 1-8") or within Container Terminal no. 9 ("CT 9")[1] so as to prevent containers with controlled goods from entering downtown area. The container terminal operators have agreed to and supported the implementation of the said smart and security facilities. Currently, the container terminal operators have completed the installation of the relevant AI CCTV surveillance system and are undertaking the upgrade of the intranet system, with the upgrade planned to be completed in the third quarter of this year.

16. The Government has also examined the feasibility of extending the proposed scheme to cover land-to-sea and land-to-air transshipment. To strike a balance between the risks of leakage, illegal diversion and the actual need for transshipment facilitation, the relevant transshipment modes must have a certain level of security measures in place. The sea-to-air, air-to-sea

[1] CT no. 1-8 located at kwai Chung, while CT no. 9 located at Tsing Yi. Hence, any container moving between CT 1-8 and CT 9 will have to first leave the restricted area of KTCT and enter downtown road, before entering into the restricted area of CT 9.

and sea-to-sea transshipment modes to be covered by the Exemption Scheme under the proposal will have the relevant transshipment cargoes handled within the controlled areas of HKIA and KTCT. As various security measures are already in place in these controlled areas, the likelihood of controlled cargoes being leaked into the downtown area of Hong Kong during transshipment is very low. Therefore, we will implement the proposed scheme as soon as possible in response to the industry's request. We will continue to work with other departments to study the feasibility of further extending the scope of the scheme to cover land-to-sea and land-to-air transshipment modes, and explore the extension of the Exemption Scheme under the condition that the risks of leakage and illegal diversion of controlled cargoes are manageable.

LEGISLATIVE PROPOSAL

17. There is already an exemption regime for articles in transit or air transshipment cargoes under the existing legislation. We propose to refine the exemption regime such that inter-modal transshipment of controlled articles via sea-to-air transshipment, air-to-sea transshipment and sea-to-sea transshipment as mentioned in paragraphs 12 to 16 above would be allowed, subject to a set of control and monitoring measures as agreed by the Commissioner of Customs and Excise ("CCE") and other relevant bureaux and departments to meet the industry's genuine operational needs and at the same time, to prevent the leakage or illegal diversion of controlled goods into the local market. Specifically, the legislative proposals include amending

the Import and Export Ordinance (Cap. 60) and other relevant ordinances and regulations to –

(a) provide for the exemption for sea-to-air, air-to-sea and sea-to-sea transshipment of the relevant controlled goods;

(b) extend the coverage of the Exemption Scheme to cover sea-to-sea, air-to-sea and sea-to-air transshipment of controlled articles; and

(c) require that the relevant goods under transshipment exempted from licensing requirements under (a) and (b) above shall, upon the entry into and during the whole transshipment process in Hong Kong, be stored in cargo containers/compartments and transported in a secure manner, and shall remain on the incoming vessels or aircrafts concerned at all times until reaching the airport restricted area of HKIA (for sea-to-air and air-to-sea transshipment) or reaching KTCT (for sea-to-sea transshipment).

CONSULTATION

18. The Government has been in liaison with stakeholders in the logistics, air cargo and maritime industry. The Hong Kong Logistics Development Council was consulted in October 2025. Members supports proposal. Amongst others, stakeholders from the maritime industry emphasised that the inclusion of sea-to-sea transshipment into the current regime may attract liners to consider calling the Hong Kong Port, thereby bringing additional throughput and strengthening Hong Kong's status as an international maritime centre.

LEGISLATIVE TIMETABLE

19. We aim at introducing the legislative amendments into the Legislative Council within 2026.

ADVICE SOUGHT

20. Members are invited to comment on the legislative proposals set out in this paper.

Transport and Logistics Bureau
March 2026

Annex 1

Controlled goods subject to licensing requirements

1. Alternative Smoking Products
2. Animals, Birds & Reptiles and their parts
3. Asbestos and asbestos containing materials
4. Biological Materials
5. Chinese herbal medicines and proprietary Chinese medicines
6. Controlled Chemicals (Applicable to chemicals in Schedule 1 and Schedule 2 of the Control of Chemicals Ordinance, Cap. 145)
7. Dutiable Commodities (alcoholic liquors, tobacco, hydrocarbon oil & methyl alcohol)
8. Eggs
9. Endangered Animals and Plants Species
10. Food
11. Frozen Confections
12. Frozen or Chilled Meat and Poultry
13. Frozen or Chilled Meat (including Prohibited Meat) holding EU Export Declaration
14. Frozen or Chilled Prohibited Meat holding Health Certificate
15. Game (野味)
16. Human Corpse
17. Live Food Animal (except food poultry)
18. Live Food Poultry
19. Mercury and mercury mixture
20. Milk, Milk Beverage and Cream
21. Motor Vehicles
22. Non-pesticide hazardous chemicals
23. Optical Disc Mastering and Replication Equipment
24. Outboard Engines exceeding 111.9 Kilowatts (150 Horsepower)

25. Ozone Depleting Substances
26. Pesticides
27. Pharmaceutical Products, Medicines and Dangerous Drugs
28. Plants, Plant Pests and Soil (except cut flowers, fruits and vegetables for consumption)
29. Radioactive Substances / Irradiating Apparatus
30. Radiocommunications Transmitting Apparatus
31. Raw Milk
32. Regulated Mercury-Added Products
33. Rice
34. Rough Diamonds
35. Sand (Import and/or transport sand in excess of 100 kg into/within Hong Kong)
36. Smokeless Tobacco Products
37. Strategic Commodities
38. Toothfish
39. Vehicles and Vehicle Parts
40. Volatile Organic Compounds (VOC) containing products
41. Wastes

Annex 2

Controlled goods subject to exemption of licensing requirements during air-to-air transshipment

1. Specified strategic commodities
2. Radiocommunications transmitting apparatus
3. Ozone depleting substances
4. Mercury, mercury mixtures and mercury compounds
5. Pesticides
6. Animal products and carcass
7. Food containing colouring matters
8. Sweeteners; and food containing sweeteners
9. Food containing metal
10. Game, meat (including "prohibited meat"), poultry, eggs
11. Food containing harmful substance (e.g. vet drug residues); and oil/fat/food containing partially hydrogenated oil
12. Food containing preservatives/ antioxidants
13. Smokeless tobacco products
14. Food containing pesticide residues
15. Marine fish