



Customs and Excise Department

Departmental Review 2013

Content

	Pages
Foreword	1 – 5
1. Our Vision, Mission and Values	6
2. Organization of the Department	7 – 8
3. Anti-smuggling	9 – 15
4. Trade Facilitation	16 – 20
5. Narcotics Interdiction	21 – 24
6. Intellectual Property Rights Protection	25 – 33
7. Consumer Protection	34 – 37
8. Revenue Collection and Protection	38 – 41
9. Trade Controls	42 – 48
10. Customs Co-operation	49 – 55
11. Information Technology	56 – 58
12. Management Services and Development	59
13. Planning and Development	60 – 62
14. Administration	63 – 65
15. Training and Development	66 – 71
16. Financial Administration	72 – 73
17. Criminal Prosecution	74 – 76
Chronicle	77 – 104
Appendices	105 – 122

Foreword

In the year 2013, the Department continued to demonstrate the fine tradition of dedication and professionalism, and the achievements in both law enforcement and trade facilitation were encouraging.

For revenue on dutiable commodities, duties collected by the Department in 2013 were \$9.2 billion, a year-on-year increase of 6.4 percent. They were mainly collected from tobacco products (59 percent of total, at \$5.4 billion), hydrocarbon oil (37 percent of total, at \$3.4 billion), and the remaining from alcoholic products (\$0.4 billion). The Department detected a total of 284 unmanifested cargo cases in 2013 with seizures worth \$654 million, representing an increase of approximately 40 percent and 90 percent respectively as compared with 2012. In order to tackle with the phenomenon that smuggling between the Mainland and Hong Kong was on the rise and had become more complex, the Syndicate Crimes Investigation Bureau was formed in early 2013 by merging the Financial Investigation Group and the Special Task Force, which would improve effectiveness in joint operations with the Mainland and overseas law enforcement agencies.

The implementation of export control on powdered formula for infants and young children took effect in March 2013. Up to December 2013 approximately 4 300 cases have been detected with 97 000 kg of powdered formula seized at various control points. The Department would continue to liaise closely with the Mainland law enforcement agencies and spare no efforts in combating parallel trading activities.

As regards the protection of endangered species, 412 cases involving ivory tusks and ivory products, rhino horns, leopard skin, pangolin carcass and scale and dried sea horses, etc. were seized in 2013, in particular the quantity and value of ivory tusks seized drastically increased by 43 percent and 116 percent respectively when compared with those of 2012. This corroborates Hong Kong's dedication and perseverance in shouldering its international obligations.

In relation to anti-narcotics work, the Department detected a total of 516 cases and seized 439 kg (not including khat) of various kinds of drugs, 75 percent of which were effected at Hong Kong International Airport. The number of cases involving controlled chemicals increased two times to 33 over 2012, the majority of which were related to pseudoephedrine.

In 2013, Customs seized a total of 89 million sticks of illicit cigarettes, representing a 18 percent increase over 2012. The number of significant cases involving the interception of over 500,000 sticks of illicit cigarettes increased by nearly 35 percent,

while public complaints dropped by around 40 percent. This is the result of targeting enforcement efforts at source which greatly suppressed street peddling activities and forcing the syndicates to use mini storage or residential premises instead of large storehouses to lower the loss.

On intellectual property rights protection, the number of infringement cases detected increased by 30 percent to 720 in 2013, of which 88 percent involved counterfeit goods. The cases of online sale of counterfeit goods and delivery of infringing goods by courier services surged by 1.7 and 1.5 times respectively in pace with the growing popularity of the Internet and rapid growth of e-commerce. The Department has strengthened communication with Hong Kong Post and is liaising with the logistics industry to address the issue at source. Moreover, the Electronic Crime Investigation Centre set up early 2013 is formulating strategies and procedural guidelines on evidence collection, and providing in-depth training for frontline investigation officers. The "Lineament I Plus" was rolled out lately for the purpose of monitoring cases involving Cyberlockers.

The Department also closely supervised money service, and a total of 11 cases of unlicensed operation of money service were prosecuted and 12 persons were arrested in 2013. The licensing system is operating satisfactorily. The compliance inspection to licensees had started since December 2013 for monitoring purposes.

In 2013, \$8.1 billion of government revenue was collected from motor vehicle first registration tax to support public services. In an effort to protect this important source of revenue for the Government, the Department prosecuted 57 distributors, involving 297 motor vehicles with fines imposed on the defendants ranging from several thousand dollars to \$970,000. The Department had internally optimised the information system and database, coupled with risk-based on-site verification to monitor market activities. Promotional activities would be carried out with the Transport Department shortly and a mobile app for checking the approved retail prices of motor vehicles would be launched.

Trade facilitation is one of the important function of the Department. A total of 15 enterprises had been accredited under the Authorized Economic Operator Programme implemented in mid 2012. Mutual Recognition Arrangements (MRA) with the Mainland Customs and the India Customs were signed in 2013. The Department would soon sign similar MRAs with the Customs authorities of Korea and Singapore, and embark on negotiations with other principal trading partners such as Malaysia, Thailand and New Zealand.

Consumer protection is of a high priority to the Department's function. In 2013 a total of 635 complaints involving short weighing activities were received and prosecution was taken in 150 cases. There were 183 complaints concerning product safety, among which 28 were related to toys and children's products and nine were dealt with by prosecution. Moreover, a total of 2 360 complaints relating to the Trade Descriptions Ordinance were received in 2013, of which 85 percent were recorded after the newly amended Ordinance came into effect on 19 July 2013. The ratio of complaints on goods to service was 3:1. In view of the wide coverage on the newly amended Ordinance, the Department would continue to implement the three-pronged strategies of prevention, education and enforcement, and set up a special duty team to tackle unfair trade practices of more complicated nature.

In retrospect, notable results were achieved in 2013. Looking ahead, the 2014 is of particular significance as the Department forges ahead, keeping up the good work and staying alert with foresight in the discharge of duties with flexibility and skills.



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Assistant Commissioner
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Head of Trade Controls

1. Our Vision, Mission and Values

Our Vision

We are a progressive and forward-looking Customs organization which contributes to the stability and prosperity of the community. We act with confidence, serve with courtesy and strive for excellence.

Mission

- To protect the Hong Kong Special Administrative Region (HKSAR) against smuggling.
- To protect and collect revenue on dutiable goods.
- To detect and deter narcotics trafficking and abuse of narcotic drugs.
- To protect intellectual property rights.
- To protect consumer interests.
- To protect and facilitate legitimate trade and industry and to uphold Hong Kong's trading integrity.
- To fulfill international obligations.

Values

- Professionalism and Respect.
- Lawfulness and Justice.
- Accountability and Integrity.
- Foresight and Innovation.



2. Organization of the Department

The Commissioner of Customs and Excise is the head of the Customs and Excise Department. He is assisted by the Deputy Commissioner. The Department comprises five branches, each under a directorate officer. The five branches are:

- Administration and Human Resource Development Branch.
- Boundary and Ports Branch.
- Excise and Strategic Support Branch.
- Intelligence and Investigation Branch.
- Trade Controls Branch.

The Administration and Human Resource Development Branch, headed by Assistant Commissioner (Administration and Human Resource Development), is responsible for departmental administration, financial management, human resource management, central support, training and recruitment, formulation of new legislation and review of procedures, orders and systems with Customs and Excise (C&E) Service-wide implications, prosecution of C&E Service cases, and investigation of public complaints. These services are provided through the Office of Departmental Administration, the Office of Financial Administration, the Office of Service Administration, the Office of Training and Development, the Office of Prosecution and Management Support and the Complaints Investigation Group.

The Boundary and Ports Branch, headed by Assistant Commissioner (Boundary and Ports), is responsible for matters in relation to Customs control and facilitation functions at all control points. The major operation units include the Airport Command, the Land Boundary Command, the Rail and Ferry Command and the Ports and Maritime Command.

The Excise and Strategic Support Branch, headed by Assistant Commissioner (Excise and Strategic Support), is responsible for matters relating to revenue protection and excise control, dutiable commodities, strategic planning and executive support, project planning and development, information technology development, and international Customs liaison and co-operation. It comprises the Office of Dutiable Commodities Administration, the Office of Customs Affairs and Co-operation, the Office of Supply Chain Security Management, the Office of Project Planning and Development, the Office of Information Technology and the Information Unit.

The Intelligence and Investigation Branch, headed by Assistant Commissioner (Intelligence and Investigation), is responsible for the detection and suppression of

illicit drug trafficking and money laundering, enforcement of intellectual property rights (IPR) protection, and surveillance and intelligence in relation to enforcement actions. The Branch is organized into the Customs Drug Investigation Bureau, the Intelligence Bureau, the Intellectual Property Investigation Bureau, the Revenue and General Investigation Bureau and the Syndicate Crimes Investigation Bureau.

The Trade Controls Branch, headed by a Senior Principal Trade Controls Officer, is responsible for matters relating to trade controls and consumer protection. The Branch is made up of the CEPA and Trade Inspection Bureau, the Trade Investigation Bureau, the Trade Declaration and Systems Bureau, the Consumer Protection Bureau (1), the Consumer Protection Bureau (2), the Consumer Protection Bureau (3) and the Money Service Supervision Bureau.

In addition to the five branches, there are two central management units which work under the direct supervision of the Deputy Commissioner. They are the Office of Service Quality and Management Audit and the Internal Audit Division.

At the end of 2013, the Department had an establishment of 5 839 posts. Of these, 9 were directorate posts, 4 712 were posts of the C&E Service, 473 were those of the Trade Controls Officer Grade and 645 belonged to various General and Common Grades.

3. Anti-smuggling

Anti-smuggling

A major mission of the Department is to prevent and detect smuggling, especially contraband and prohibited articles, the import and export of which are controlled by the laws of Hong Kong for the purpose of protecting the community and environment, maintaining public health and fulfilling international obligations. Smuggled items detected include dutiable commodities, narcotics, endangered species, firearms, copyright infringing articles, goods bearing forged trademarks and goods with false origin labels and high value general merchandise. In the fight against smuggling activities, the Department has strived to maintain a proper balance between control and trade facilitation to ensure the speedy flow of legitimate cargoes at the control points.



Customs dog handler and his detector dog searching for dangerous drugs in the Hong Kong International Airport.

The Department detected 284 unmanifested cargo cases in 2013, an increase of 43% compared with 2012. Amongst the cases, 232 of them involved items smuggled between Hong Kong and the Mainland, including 84 at sea and 148 on land. There were 237 persons arrested and the seizures amounted to HK\$ 654 million.

Smuggling of general merchandise between Hong Kong and the Mainland is a matter of concern for both sides. High-valued commodities including mobile phones and accessories, computer hardware and seafood (such as abalone and geoduck) remain the popular items smuggled into the Mainland. Items smuggled to Hong Kong include dutiable cigarettes, counterfeit and copyright infringing articles.



Seizure of a large batch of smuggled tablet computers and mobile phones.

Concealment remains a common tactic by smugglers to evade Customs detection. Concealment methods included hiding contraband in false or altered compartments in cross-boundary vessels, lorries, private cars, cargo containers or mixing smuggled goods with legitimate imports or exports. Smugglers also exploited the long coast line of Hong Kong, and with loading places frequently changed to evade detection, sent high-valued merchandise into the Mainland by high-powered speedboats moving at breakneck speeds. Some smuggling syndicates resorted to using containerized sea cargo to smuggle hot items to the Mainland.



Boxes of geoduck smuggled by way of concealment in the void space of a fishing vessel.

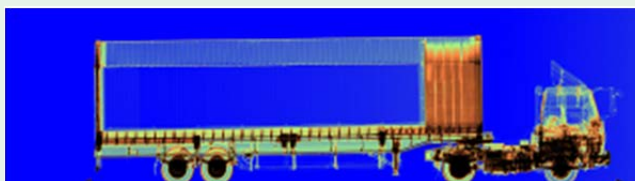
To combat the problem of parallel traders diverting large quantities of powdered formula away from the supply chain in Hong Kong, the Government passed the Import and Export (General)(Amendment) Regulation 2013 in February 2013. The new regulation came into effect on 1 March 2013 and it prohibits the unlicensed export of powdered formula for infants and children under 36 months. Those aged 16 or above are exempt on their first departure within a 24-hour period, and each may take two cans of powdered formula with a total net weight up to 1.8 kg out of Hong Kong. To tie in with the new regulation, the Department stepped up the enforcement work at various land boundary control points. The Department will continue to enhance intelligence collection and keep close contact with Mainland Customs for joint operations if necessary to detect the illegal export of powdered formula from Hong Kong. Up to 31 December 2013, a total of about 97,000 kg of powdered formula were seized.

Dutiable Commodities

Illicit Cigarette

Interception of cigarette smuggling remains a high priority task for the Department, and enforcement is focused on cigarettes smuggled across the land boundary with the Mainland.

Smuggling syndicates tended to mix the cigarettes with general cargo and falsely declared the consignment, or made use of false compartment for concealment. Apart from routine checking, intelligence exchange and parallel operations with the Mainland Customs at the land boundary control points have proven to be effective measures to suppress smuggling activities. In 2013, a total of 54 million sticks of smuggled cigarettes were seized, majority of which were found onboard cross-boundary vehicles arriving from the Mainland. The largest smuggling case detected in the year was a transshipment which involved 9 million sticks of cigarettes.



X-ray photo shows a false compartment onboard a cross-boundary container truck.



Illicit cigarettes were smuggled by way of false compartment.

Abuse of Duty-free Cigarette Concessions

Beginning in August 2010, returning Hong Kong residents may only bring in 19 sticks of cigarettes without the need for payment of duty. Abuse of the duty-free concession has decreased due to enhanced publicity and public awareness.

Under the Compounding Scheme, fines totaling HK\$48.2 million were collected in 9 450 cases involving 3.34 million sticks of cigarettes, 48.6 kg of cigar, 15.9 kg of assorted tobacco product and 421 litres of liquor in 2013.

Illicit Fuel

Rigorous enforcement through increased checks on incoming vehicles and vessels had contained the problem of illicit fuel smuggling from the Mainland. In 2013, 24

importation cases, 5 on land and 19 at sea, were effected with 12 000 litres illicit fuel seized.

Project Crocodile

The Project Crocodile provides a platform for Customs Administrations in the Asia Pacific Region to share intelligence to tackle transnational illicit cigarette smuggling. Hong Kong Customs actively reports suspicious shipments, contributing to some 56% of the notifications issued under the Project thus far. Since the launch of the Project in August 2004, 97 containers, containing 619.28 million sticks of cigarettes and 1 300 kg of manufactured tobacco in total were seized as a result of information provided by Hong Kong Customs.

Dangerous Drugs

Heroin, ketamine, methamphetamine, cocaine, cannabis and nimetazepam are popular dangerous drugs smuggled into Hong Kong. In 2013, the Department detected 516 cases with 439 kg (not including khat) of assorted drugs seized. Drug syndicates had taken advantage of the very heavy passenger and vehicular traffic at the control points to smuggle drugs into Hong Kong and express couriers of general cargo are exploited to smuggle small quantities of dangerous drugs each time to evade detection and minimize loss upon interception. To combat cross-boundary drug trafficking activities, Hong Kong Customs will continue to take vigorous enforcement actions, step up inspection and deploy Customs detector dogs to various land control points.

Precious Metal

The market price difference between Hong Kong and the Mainland and a tight control on the export of precious metal in the Mainland had triggered isolated cases of smuggling of precious metal from the Mainland. In 2013, a case involving seizure of 515 kg of silver slabs was detected at the land boundary control points.

Arms and Weapons

Customs officers always maintain high vigilance at all control points to prevent the smuggling of arms and weapons into Hong Kong. In 2013, 20 cases of firearms and weapons were detected at the Airport with 5 persons arrested and the total seizure value was HK\$492,000.

At the land boundary control points, 32 cases involving firearms and weapons were detected in 2013, major seizures were extendable batons and stun guns.

Counterfeit and Pirated Articles

The Department has continued to accord high priority to the protection of intellectual property rights. Rigorous operations were mounted to suppress counterfeiting and pirating activities. Major seizures included garments, handbags, shoes, leather products, watches, computer accessories, mobile phones and accessories, cosmetics, ornaments and household goods which bear forged trade marks or false trade descriptions. As it has been a global trend to have on-line selling of counterfeit goods coupled with transnational goods delivery service, infringers making use of cross boundary logistics services and express couriers to deliver infringing goods sold on line were rising. To tackle the problem, cooperation with overseas law enforcement agencies, express courier companies and the Hong Kong Post were enhanced. In 2013, 111 cases of IPR infringing goods were effected from the postal channels. Joint operations with other Customs administrations and international organizations resulted in a total of 23 cases with seizure valued at HK\$2.03 million.

At the Hong Kong International Airport, 70 cases were detected with 7 persons arrested in 2013, with seizures having a value of HK\$24 million. At the land boundary control points, 9 cases were detected with 11 persons arrested. Seizures valued at HK\$18 million were effected. Besides, 37 cases of IPR infringing goods were detected from shipments via sea mode and the seizure value was HK\$73 million.

Computer Accessories and Telecommunication Equipment

Smuggling of high-valued computer accessories to the Mainland continued in 2013.

Among the outgoing smuggling cases detected at the land boundary, 32 cases involved computer accessories or telecommunication equipment including smartphones, computer hard disks, tablet computers, Random Access Memory (RAM) sticks, computer CPUs, etc. The seizure value amounted to HK\$37.06 million. Smuggling by speedboat was still prevalent. Among all seized goods in smuggling cases detected at sea, tablet computers,



Computer hard disks and cameras were found smuggled into Hong Kong.

computer accessories and telecommunication equipment were the hottest smuggling items.



Tablet computers and cameras were found smuggled into the Mainland.

Meat and Poultry

To safeguard public health, joint operations were regularly mounted by the Department with the Food and Environmental Hygiene Department (FEHD) at the land boundary control points. In 2013, 585 joint operations with FEHD were conducted. Enforcement actions taken throughout the years had successfully deterred smuggling of meat and slaughtered poultry by cross-boundary passengers.

Endangered Species

There were still isolated cases of endangered species of plants and animals being smuggled into Hong Kong. In 2013, Customs officers detected 412 cases of endangered species of plants, birds and animals. The items involved pangolin scales, live monitor lizards and snakes, American ginseng, crocodile meat, cobra, bear bile powder, stony coral, red sandalwood and orchid etc.



Smuggled pangolin scales concealed in boxes.

In 2013, Customs officers detected 19 cases involving endangered species smuggled out of Hong Kong to the Mainland, with 22 persons arrested with seizures worth HK\$4.2 million.

In 2013, Customs Officers detected 15 sea smuggling cases of endangered species of animals and plants, in which over 51 000 kg of red sandal wood and agarwood, 6 800 kg of ivory tusk, 360 kg of pangolin scales, 13 pieces of rhino horn, 5 pieces of leopard skin with a market value of over \$72 million were seized. Most of those

seizures were found from 8 cargo containers from Africa, which were declared to contain “stones”, “wood” or “soya products” and the concealment methods were highly sophisticated.



Agarwood seized in anti-smuggling operation.



Endangered species seized in cargo examination.

Marked Oil

Since May 2005, the Department launched a scheme to suppress seaborne smuggling of marked oil into the Mainland as a result of a higher price for diesel oil fetched in the Mainland. Oil barges delivering marked oil are required to be registered with the Department and transaction records are checked for irregularities. In 2013, 7 cases were detected with 12 persons arrested and the total seizure value amounted to HK\$150,000.

4. Trade Facilitation

Road Cargo System (ROCARS)

Submission of land cargo information via the ROCARS, an electronic system designed to speed up customs clearance of road cargoes, became mandatory on 17 November 2011. The system effectively shortens the clearance time of road cargoes at land boundary control points from 60 seconds to approximately 20 seconds, which further underscores the status of Hong Kong as a logistic hub in the region.

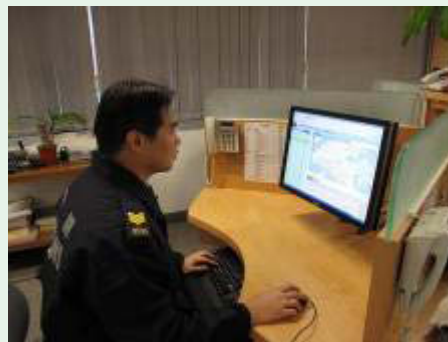
The Department has applied Radio Frequency Identification technology to enhance the recognition of cross-boundary trucks for further streamlining of the automated clearance process at the land boundary control points.



The Customs Officer is sticking an RFID tag on the windshield of a cross-boundary truck.

Intermodal Transshipment Facilitation Scheme (ITFS)

Customs is constantly developing initiatives to enhance the speed and lower the cost of movement of cargoes across the boundary with the Mainland to maintain the competitiveness of business of the HKSAR. To facilitate the movement of transshipment cargoes, the Department officially launched the ITFS on 29 November 2010, where transshipment cargoes, if examination is required, will normally be subject to customs inspection once either at the point of entry or exit. Under the ITFS, electronic locks (E-lock) are applied to secure cargo compartments of vehicles conveying transshipment cargoes to prevent the cargo from being tampered with during the journey in Hong Kong. Besides, Global Positioning System (GPS) devices are used for monitoring the status of the E-Lock and tracking the movement of the goods vehicles to ensure the security of the cargoes while being conveyed within the Hong Kong boundary.



Officers checking E-lock and monitoring ITFS vehicles via web-based platform.

To expand the scope of facilitation to transshipment cargoes, the Department is working closely with the Mainland Customs on a project of using a single e-lock for monitoring transshipment cargoes by the Customs authorities on respective sides of the land boundary. Under this new arrangement, cargo inspection results will be mutually recognized by the Customs authorities and it is expected that less frequent inspection will be required. Trial run of the project was kicked off on 16 November 2012 and the operation has been by and large smooth.

Economic Co-operation Framework Agreement (ECFA)

Under the ECFA signed between the Mainland and Taiwan on 29 June 2010, specified goods originating from Taiwan and consigning to the Mainland directly or vice versa can claim for preferential tariff treatment. In case the transportation involves transit through a third party, preferential tariff treatment can still be granted subject to the fulfillment of stipulated requirements which include, among other things, certification issued by the Customs Administration of the transit party. Given that Hong Kong has hitherto been a major transit port for the transportation of goods between the Mainland and Taiwan, the Department has taken up certification/verification responsibilities which involved close collaboration and intelligence exchange with the Mainland and Taiwan Customs. Under the arrangement, cross-strait transshipment cargoes are entitled to preferential tariff treatment by the destination Customs.

On 1 April 2012, streamlined procedures were implemented to further facilitate ECFA applicants. Under the streamlined procedures, the Department conducts documentary check on applications pertaining to transit and transshipment cargo that needs not go through consolidation process in Hong Kong. After the implementation, the application number significantly increased to 10 106 applications in 2013 as compared to 7 687 applications received in 2012. Up to the end of 2013, the Department had issued a total of 22 800 ECFA Certificates since the implementation of the Scheme.



Customs officers checked on transshipment cargo.

Wine Exports to the Mainland

To foster the development of Hong Kong as a wine trading and distribution hub in Asia, the Department and the General Administration of Customs of the People's Republic of China (GACC) signed the "Co-operative Arrangement on Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong" on 9 February 2010. The facilitation scheme aims to expedite customs clearance of wine imported into the Mainland through Hong Kong. The Scheme was officially rolled out in June 2010, with Shenzhen as the first pilot port, then extended to Guangzhou in November 2012. The Department kept close cooperation and liaison with the GACC in 2013. The scheme is currently under review to examine the possibility of more facilitation measures offered to the wine industry.

Hong Kong Authorized Economic Operator (AEO) Programme

With a view to safeguarding the international supply chain and further facilitating global trade, the Department formally launched the Hong Kong Authorized Economic Operator (AEO) Programme¹ in April 2012. Being a voluntary certification regime, the Hong Kong AEO Programme allows local companies satisfying prescribed security requirements to be accredited as trusted partners, which are eligible for reduced inspections and priority clearance at entry and exit points. Up to 2013, the Department has accredited 15 AEOs (including a small and medium enterprise) and the response from the industry towards the Programme has all along been positive.

The Department has been taking active steps to develop mutual recognition arrangements² (MRA) with other Customs administrations with a view to multiplying benefits for the Hong Kong AEOs. Since October 2013, the Department has signed MRAs for the AEOs with the GACC, and the Central Board of Excise and Customs of the Government of India (CBEC), the Korea Customs Service and the Singapore Customs. Discussions with Customs counterparts Thailand and Malaysia for establishing MRA are underway.

¹ *AEO is a model programme to secure and facilitate global trade. It is one of the core elements under the Customs-to-Business Pillar of the World Customs Organization (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE FoS). Under the AEO programme, all economic operators involved in the international movements of goods may apply for AEO status, thereby reducing their security risk if accredited. AEO programme thus allows Customs to focus on high risk trade whilst facilitating legitimate trade.*

² *Mutual recognition of AEO programme is one of the principal goals of WCO SAFE FoS to better secure and facilitate global trade. It is a formal recognition of an AEO programme by other Customs administrations. Through this arrangement, Customs facilitation provided by other Customs administrations may be extended to the accredited companies.*



The Commissioner signed the 1st MRA for the AEO Programme with the GACC in Beijing on 29 October 2013.



The Commissioner signed the 2nd MRA for the AEO programme with the CBEC in Hong Kong on 28 November 2013.

Smart and Secure Trade Lanes (SSTL) Pilot Project

In June 2013, the Department received accession letters from the GACC and the Taxation and Customs Union of the European Commission (TAXUD) in the WCO 121st/122nd Council Sessions in Brussels to signify Hong Kong's participation in the Smart and Secure Trade Lanes (SSTL) Pilot Project³.

In November 2013, the SSTL Pilot Project was rolled out in Hong Kong with the trade lanes of Hong Kong-Rotterdam and Hong Kong-Felixstowe established. The Department is working closely with the Mainland and European Union sides for further implementing the Project.



The Commissioner received two accession letters from the GACC and the TAXUD in the WCO 121st / 122nd Council Sessions on 27 June 2013.

³ The GACC and the respective Customs administrations of EU have been operating the SSTL pilot project since November 2007. Riding on the WCO SAFE FoS, SSTL aims at testing and refining the Framework's principles in a realistic and operational environment.

5. Narcotics Interdiction

Anti-narcotics Strategy

One of the major responsibilities of the Hong Kong Customs is the prevention and detection of illicit drugs trafficking. The Department has adopted a comprehensive enforcement strategy, which comprises a three-pronged approach, namely drug source detection, recovery of drug/crime proceeds and control of precursor chemicals used in the illicit manufacture of drugs, and has exemplary achievement in the battle against dangerous drugs.

While stringent control at all control points is imposed to prevent the inflow of drugs and their transit through Hong Kong, the Customs Drug Investigation Bureau of the Department takes action against syndicated drug traffickers and street peddlers based on surveillance and intelligence.

Anti-drug operations have never been easy. To enhance the effectiveness of anti-drug programmes, the Department is empowered to trace, restrain and confiscate drug or crime proceeds derived from illicit activities so as to stop drug traffickers from re-investing drug proceeds to finance further drug trafficking and other criminal activities and using Hong Kong as a base for money laundering.

Being the sole agency responsible for the enforcement of the Control of Chemicals Ordinance, the Department has maintained a licensing system to monitor and control the movements of precursor chemicals. Moreover, through an international liaison network, the Department strives to inhibit the illicit diversion of such chemicals at the global level.

Enforcement

Frontline Customs officers took anti-drug efforts strenuously with a combination of vigilance, intelligence and hi-tech equipment. Besides focusing on risky shipments of commercial cargoes, which provide a means for concealment of large quantities of illicit drugs, they also targeted smuggling of drugs by express parcels and mails and drug traffickers at the control points, who sneaked in drugs packed on body, stuffed inside body cavities or hidden in false compartments in baggage. The high level of professionalism has resulted in encouraging finds.

Ketamine is still the most prevalent drug of abuse among young people since 2004. The Department arrested 144 persons and seized 47.6 kg in 2013. In 2013, 109 persons who attempted to sneak in a total of 15.6 kg of ketamine were arrested at the land control points. Among these 109 arrestees, 7 were aged under 21, and these teenagers brought in a total of 764 grams of ketamine.

Analysis of the seized heroin revealed that the majority of the drugs came from the “Golden Crescent” (the area overlapping Afghanistan, Iran and Pakistan). In 2013, 53.9 kg of heroin were seized with 74 persons arrested. Most of them were seized from air passengers arriving from Africa and South East Asia. The seizures were mainly concealed inside baggage or swallowed, and were believed to be destined for the neighbouring areas.



Heroin in pellet form swallowed by offenders.

In 2013, the Department seized 48.6 kg of cannabis with 48 persons arrested. Among the seizures, 41.9 kg were intercepted at Hong Kong International Airport.

Methamphetamine is another popular drug, with 83.4 kg seized and 129 persons arrested in 2013. Among the seizures, 65.3 kg were intercepted at Hong Kong International Airport whilst en route to other countries in the Asia Pacific.

Cocaine which originates from South America, is gaining popularity worldwide and has always been a high priority on Customs anti-drug programme. In 2013, 63 persons were arrested with 173.9 kg seized. Amongst the seizures, 152.6 kg were intercepted with 36 persons arrested at Hong Kong International Airport. In Aug 2013, 60 kg of cocaine were seized from two passengers arriving from Brazil via Beijing on the same flight. From one of them 48 kg of cocaine were seized, which was the single largest haul of drugs found involving trafficking by an individual passenger.



48 slabs of cocaine seized from the suitcases of a passenger from Brazil.

Co-operation with Overseas and Mainland Authorities

The Department has maintained close tie with law enforcement agencies in the Mainland and overseas to enhance the effectiveness of enforcement against transnational drug trafficking. In 2013, as a result of co-operation with other jurisdictions, 41.9 kg of drugs were seized and 12 persons were arrested outside Hong Kong. Of significance, Hong Kong Customs passed the case information on the smuggling of cocaine from Brazil via Beijing to the Mainland authority in August. Later in the same month, Beijing Customs arrested a drug courier at Beijing Capital Airport and seized 24.6 kg of cocaine from his suitcase.

Cross Boundary Drug Trafficking

To implement the recommendations of the Task Force on Youth Drug Abuse led by the Secretary for Justice, the Department has stepped up enforcement against cross boundary drug abuse and trafficking. The Department also works closely with the Shenzhen Customs to exchange intelligence and mount regular parallel operations at boundary control points on both sides to deter cross-boundary drug abuse.

The number of persons aged below 21 arrested in connection with drug offences at the boundary control points remained low in 2013, probably due to the enhanced deterrent effect arising from the stepped up enforcement action against cross boundary drug trafficking. The publicity on the harmful effects of drug abuse at the land control points was also a contributing factor. In 2013, the number of arrests was 14 while that of 2012 was 13.

Financial Investigation

The Department took continuous efforts in 2013 in tracing proceeds derived from drugs and organized crimes. The Department confiscated HK\$19.4 million of crime proceeds relating to organized crimes in connection with importation and distribution of illicit cigarettes and trafficking of dangerous drugs.

On international cooperation, the Department restrained HK\$9 million under mutual legal assistance as a result of two joint investigations with the US counterparts on a drug trafficking cum money laundering case, and the French counterparts against a transnational syndicate producing and distributing counterfeit goods.

In the prevention and detection of money laundering in the HKSAR, the Joint Financial Intelligence Unit operated by the Department and the Hong Kong Police Force received 32 907 suspicious transaction reports from the financial institutions, among which 2 724 were forwarded to the Department for follow-up investigation.

Control of Chemicals

The Department maintains a licensing system under the Control of Chemicals Ordinance to regulate the trade of 26 chemicals commonly used for the illicit manufacture of narcotic drugs and psychotropic substances.

To step up control, the Department participates in a global co-operation mechanism which monitors the movements of precursor chemicals to prevent illicit diversion. Pre-export Notifications (PENs) of controlled chemicals are issued to the importing countries or territories to confirm the legitimacy of the shipment before export approval is granted. 623 PENs were issued to 32 countries in 2013.

During the year, the Department continued to take part in two international tracking programmes, namely "Project Cohesion" and "Project Prism" for monitoring the movements of potassium permanganate, acetic anhydride and chemicals that could be used for the illicit manufacture of amphetamine-type stimulants. These initiatives, organized by the United Nations International Narcotics Control Board (INCB), are recognized as an effective multilateral mechanism to prevent the illicit diversion of precursor chemicals.

In the meantime, the Department has also participated in the operation "Zircon Pacific", jointly launched by the Department and the US Drug Enforcement Administration, Hong Kong Country Office (DEA/HKCO) since August 2008, for tracking the movement of suspicious shipments of acetic anhydride, acetyl chloride, piperidine and potassium permanganate via Hong Kong to high-risk countries.

International co-operation is particularly important in maintaining a global force against the illicit movements of chemical precursors. The Department has been proactively exchanging information and intelligence with overseas law enforcement agencies on suspicious shipments of precursor chemicals sourced in the region and shipped through Hong Kong to high-risk destinations.

6. Intellectual Property Rights (IPR) Protection

During the year, rigorous and sustained enforcement actions were maintained against copyright infringement and trademark counterfeiting activities in Hong Kong at both the manufacturing and retailing level.

Anti-piracy Enforcement

The Department detected 99 piracy cases and arrested 143 persons in 2013. Seizure of pirated optical discs (ODs) amounted to 0.31 million. Together with other seizures in these cases, the total value of seizure was HK\$8.79 million.

Actions against Retail Sale of Pirated Goods

The Department maintained rigorous enforcement actions against retail outlets selling pirated optical discs, targeted to wipe out optical discs piracy activities totally. The Intellectual Property Investigation Bureau, the formation that organized all anti-piracy operations, was determined to go after the syndicates that ran optical discs piracy business in Hong Kong. The rigorous enforcement action throughout the years has achieved significant results. The number of retail outlets selling pirated optical discs has died down in recent years.

Actions against Manufacture, Import and Export of Pirated Goods

Since the commencement of the Prevention of Copyright Piracy Ordinance in May 1998, all optical disc factories in Hong Kong are required to obtain a manufacturer licence and they are subject to inspection by the Department. Illicit manufacturing of optical disc is further suppressed when the Prevention of Copyright Piracy Ordinance (Amendment of Schedule 1) Order 2002 came into force on 19 July 2002, which requires manufacturers of stampers (the master disc) in Hong Kong to obtain a licence from the Department. In 2013, Customs officers conducted 100 inspections of licensed optical disc and stamper factories.

Actions against Internet Piracy

In April 2000, the Department established an "Anti-Internet Piracy Team" to specially fight Internet piracy, the detection of which is assisted by an advanced on-line monitoring system. Since its establishment, the "Anti-Internet Piracy Team" has detected 543 Internet piracy cases, arrested 658 persons and seized pirated articles and computer equipment with a worth of HK\$14.37 million. To tackle the increasing

trend of sharing infringing materials stored in cyberlockers, the Department, together with the University of Hong Kong, developed a new computer system – the Lineament I Plus, to strengthen the detection of such activities.

To cope with new enforcement challenges arising from the advance in cyber technologies, the Department has set up an Electronic Crime Investigation Centre (ECIC) in February 2013. The ECIC aims to strengthen research into the latest operation of cyber crimes, formulate enforcement strategies and procedures on evidence collection for front-line enforcement officers, and conduct training courses on retrieval and preservation of digital evidence for front-line officers. It also conducts researches on online investigation system.

Actions against Corporate Use of Pirated Works in Business

The Intellectual Property (Miscellaneous Amendments) Ordinance 2000 has been expanded with new provisions to enhance copyright protection. Apart from the existing provision which prohibits the bringing of video-recording equipment into cinemas and places of public entertainment to prevent bootlegging, new provisions are made to criminalize the use of infringing copyright works, including computer software, movies, TV dramas or music and sound recordings, in business. Since the provisions became effective in 2001, the Department has detected a total of 306 cases of corporate use of pirated works, arrested 640 persons and seized items having a worth of HK\$17.35 million.

Actions against Circumvention Devices or Services

The Copyright (Amendment) Ordinance 2007 has increased the criminal and civil liability for the circumvention of “technological measures to protect copyright works”. Any person who engages in the commercial dealing of circumvention devices or provides circumvention services for commercial purposes shall be subject to criminal sanction. The Department has so far detected a total of 93 such cases and arrested 124 persons.

Actions against Counterfeit Goods

The Department has maintained a high enforcement pressure against the sale of counterfeit goods during the year and the sustained actions have placed trademark counterfeiting in Hong Kong firmly under control, with no sign of major counterfeit goods manufacturing activities emerging.

In 2013, the Department detected 752 cases involving counterfeit goods or goods

bearing false trade descriptions. A total of 663 persons was arrested. With a value of HK\$146 million, the seized goods were mainly electronic products, counterfeit garment, wrist watches and leather goods.

Actions against the sale of Counterfeit Goods on Internet Auction Site

In 2013, 151 cases were detected involving the sale of counterfeit goods on Internet auction sites. A total of 176 persons were arrested and counterfeit items amounted to HK\$2.24 million were seized.

In collaboration with the Department, auction site operators displayed warnings to remind auctioneers that selling counterfeit goods on the auction sites was illegal. At present, the time required for removing suspected listings of counterfeit goods is just a few hours.

Actions against Wine Counterfeiting

To promote Hong Kong's wine trading and distribution businesses, the Government reduced the duty rate of wine to zero and lifted the related administrative controls in June 2008. Since then, wine imports into Hong Kong have increased significantly.

In combating wine counterfeits, the Department maintained a close partnership with the wine industries and enforcement agencies of major wine producing countries. Besides, a dedicated anti-wine counterfeit team was set up in August 2008 to carry out investigations and enforcement actions against the cases of counterfeit wine.

Actions against Medicines Counterfeiting

With a view to enhancing the deterrent effects on counterfeit medicines, the Department is co-operating with the Consumer Council to publish the names of the dispensaries convicted of selling counterfeit medicines. The first list of dispensaries was released in the February issue of the CHOICE magazine in 2011, which named dispensaries convicted for selling counterfeit medicines in 2010. The Consumer Council continued to update the list of dispensaries and so far, a total of 61 dispensaries have been listed.

Restraint and Confiscation of Crime Proceeds of IPR Infringing Syndicates

The Department actively applies the Organized and Serious Crimes Ordinance (OSCO) in the investigations of IPR infringements in the fight against the organized

syndicates engaged in piracy and counterfeiting activities. Since the first application of OSCO to a piracy case in 2004, the Department has applied this tool to a total of 11 IPR cases (8 copyright cases and 3 counterfeit cases), with some HK\$130 million worth of crime proceeds/assets restrained. This enforcement approach has effectively clamped down syndicates engaged in copyright piracy and trademark counterfeiting activities.

Strategic Partnership

The Department has been working proactively to seek greater co-operation from the IPR industry to enhance the fight against piracy and trademark counterfeiting. The industry is now providing all sorts of support to the Department, including the provision of leads on IPR infringement activities, examination of seized goods to authenticate IP rights, provision of testimony in court and training for Customs officers to enhance the skill on fake product identification. The Department has also been actively maintaining close liaison with the industry, local and overseas law enforcement agencies, academics, etc. to review the effectiveness of Customs enforcement, to re-examine IPR protection issues and exchange views from a multifarious perspective.

Since its establishment in early 2013, the ECIC has been deploying resources to conduct insightful researches on potential electronic crimes and seeking opportunities to organise training programmes and sharing sessions with overseas law enforcement agencies, business counterparts as well as academic institutes. In August 2013, the ECIC organized a WCO Asia Pacific Regional Workshop on Computer Forensics for 37 participants from 26 Customs administrations. This 3-day training workshop helped develop and build the capacities of foreign Customs administrations in tackling cyber crimes. Apart from this, the ECIC also coordinated with the International Centre for Missing and Exploited Children (ICMEC) to conduct a two-day workshop on online investigation techniques for 17 frontline investigators in October 2013. The workshop aimed to enhance the cyber knowledge and Internet investigation techniques of our Customs officers.

In 2013, the Department achieved good progress in its partnership with the IPR sector and collaboration was sustained in the following areas:

- The Intellectual Property Rights Protection Alliance (IPRPA) established by the Department and the industry since March 2004 provides a platform for both parties to enhance strategic partnership and strengthen intelligence exchange. At present, 92 organizations of the IPR sector have joined IPRPA. A working committee was established and tasked to organize IPR protection-related

activities, including the launching of publicity and educational campaigns to raise social awareness on IPR protection. Also, the Department joined hands with the Mainland/overseas IPR enforcement agencies to organize a series of special seminars for the IPRPA members. Specialists and professionals from different countries and jurisdictions were invited to share their knowledge and experience on IPR protection with members of the IPRPA.

- To counter the sale of infringing articles on the Internet, the “E-auctioning with Integrity Scheme” was jointly launched with the participation of a number of local auction site operators and IPR owners in November 2005 to promote the integrity of online trading. When IPR owners have sufficient reasons to suspect that goods put up for sale at auction were infringing goods, they will notify the auction site operators concerned to remove the listings of suspicious items. To date, listings of over 90 000 items suspected to be IPR infringing goods have been removed.
- The “Fast Action Scheme” launched jointly with the Hong Kong Brands Protection Alliance (HKBPA) in July 2006 remains an important measure to effectively protect the interest of IP owners participating in major exhibitions and trade fairs staged in Hong Kong. Under the scheme, the Department will take prompt enforcement action when reports on IPR infringement activities from the exhibitors are received. Publicity leaflets were distributed to exhibitors at the opening of exhibitions to publicize the penalties for IPR infringement offences and to encourage participants to report IPR infringement acts. Since the implementation of the scheme, the Department has activated the “Fast Action Scheme” at 74 major exhibitions and trade fairs, leading to the detection of 171 infringement cases and the arrest of 203 persons. On 4 September 2013, the Department, the Intellectual Property Department (IPD) and the HKBPA coordinated a Forum on IP Trading. Speakers from the Department, IPD and the industry exchanged views on the legislation, enforcement and facilitation related to IP trading with around 60 representatives from the IP industry attended the seminar.
- Supporting Hong Kong’s development into a regional wine trading and distribution centre, the Customs-Wine Industry Alliance was formed with 18 organizations of the local wine industry in October 2008. It provides a platform to further collaboration with the industry in order to gear up for the combat against offences involving counterfeit wine and false information on place of origin. Hong Kong Customs has been establishing contacts with overseas law enforcement agencies and wine regulatory bodies to obtain information and

source expertise in regard to the latest technologies applied for the identification of counterfeit wines.

Reward Schemes

The IPR industry and the Department are joining forces to step up intelligence collection to reinforce actions against IPR infringement offences. The industry is now sponsoring reward schemes which pay cash rewards to informers who provide Customs with information that leads to the seizure of infringing goods. The five existing reward schemes are:

- Anti-piracy (except retail level) Reward Scheme - sponsored by the copyright industry.
- Reward Scheme to Combat Illegal Use of Software in Business – sponsored by BSA | The Software Alliance.
- Reward Scheme to Combat Counterfeit and Trademark Infringed Pharmaceutical Products – sponsored by Hong Kong Association of the Pharmaceutical Industry.
- Reward Scheme to Combat Illegal Photocopying of Books and Periodicals – sponsored by Hong Kong Reprographic Rights Licensing Society.
- Reward Scheme to Combat Illegal Photocopying of Newspapers and Magazines sponsored by the Hong Kong Copyright Licensing Association.

In 2013, 13 cases were effected upon receiving information by the informers recruited under these reward schemes, which highlighted the cooperation and commitment of the IPR industry to support the Department in the fight against infringement activities.

Publicity Programmes for IPR Protection

Suppressing IPR infringing activities cannot be done by enforcement alone. Illicit trade continues as long as demand for pirated and counterfeit goods exists. Promotion of civic education to raise public awareness and respect for IPR protection is equally important. In 2013, the Department launched several publicity campaigns to promote IPR protection.

In collaboration with 11 local youth uniformed groups (YUGs) and the IPR sector, the Department ran the “Youth Ambassador Against Internet Piracy Scheme” (YAS) since its first launch in 2006. Over 200 000 members of the YUGs joined the scheme to promote a sense of respect for copyright works among young people. In April 2013, the Department has successfully recruited two more YUGs thereby enlarging the membership of the YAS.

During the year, the Department, in collaboration with the Intellectual Property Department, organized the following activities for the youngsters to raise their awareness of the importance of respect and protection of IPR:

- Reciprocal study tours between Hong Kong and Zhaoqing for Mainland secondary students and Youth Ambassadors respectively in January and March 2013;



Visit of Mainland officials and students to Hong Kong Customs.



Delegation of Hong Kong Youth Ambassadors visiting Zhaoqing.

- Film show and sharing session entitled “Creativity” in April 2013 with the IPRPA;



Film show and sharing session entitled “Creativity”.

- Visits to Customs Headquarters Building for YUG leaders in February 2013 and Youth Ambassadors in July and August 2013;



YUG leaders visiting Customs Headquarters Building.

- Drama script writing and performance competition held between July and December 2013;



Drama performance by the Youth Ambassadors.

- Youth Ambassador Photo Contest held between July and December 2013; and



The winning photos of the Youth Ambassador Photo Contest.

- “I Pledge • YAS Ambassador of the Year 2013 Award Presentation Ceremony cum Drama Performance” in December 2013.



“I Pledge • YAS Ambassador of the Year 2013 Award Presentation Ceremony cum Drama Performance”.

7. Consumer Protection

The Department protects consumer interests through enforcement of the Toys and Children's Products Safety Ordinance, Consumer Goods Safety Ordinance, Weights and Measures Ordinance, and Trade Descriptions Ordinance.

Weights and Measures Ordinance

To weed out dishonest sale of short-weighted items, the Department conducted 1 244 spot checks and 836 investigations in 2013 to detect and deter the use of inaccurate weighing and measuring equipment in trade and the supply of goods which were short of the purported weights. Retail sales which involved comparatively more complaints concerning short weight continued to be the targets of the Department's enforcement actions. In 2013, prosecution was taken against 150 cases for contravention of the Weights and Measures Ordinance.



Customs officer checked the accuracy of a spring scale with a standard calibrated mass.



Customs officer checked the accuracy of a diesel dispenser by pumping out a pre-determined volume of fuel into a fuel-testing container.



A defective electronic platform scale showing a reading of "9 kg" when checked with a standard mass of 10 kg.

Toys and Children's Products Safety Ordinance and Consumer Goods Safety Ordinance

The Department conducted spot checks and investigations to ensure toys, children's products and consumer goods supplied in the market are reasonably safe and affixed with bilingual warning labels. In 2013, 2 470 spot checks and 379 investigations were conducted and 11 prosecution cases were concluded. Besides, the Department issued 26 Prohibition Notices prohibiting the supply of unsafe products, ranging from fishing games, plastic ducks, carry cots, baby walking frames, bunk beds, office chairs, folding chairs and stools.

Education-oriented seminars

To promote traders' awareness of product safety and their obligations in complying with the related Ordinances, the Department conducted education-oriented seminars for department stores, chain shops, trade and industry associations and small and medium enterprises in the past years. Furthermore, the Department continues to work closely with the Consumer Council with a view to promoting public awareness of product safety and fair trading.

Educational seminars have also been organized for parents and teachers of nurseries and kindergartens to introduce to them the safety legislation, alert them of the potential risks of unsafe products and provide safety tips to help them choose suitable products for their children.

Trade Descriptions Ordinance

The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 [Amendment Ordinance] came into operation on 19 July 2013.

To provide reference for traders and consumers, the Department and the Office of Communications Authority as enforcement agencies had jointly issued a set of Enforcement Guidelines comprising the Compliance and Enforcement Policy Statement and General Guidelines. The Enforcement Guidelines state the manner in which the two enforcement agencies exercise their powers under the fair trading sections of the Trade Descriptions Ordinance (TDO) as amended by the Amendment Ordinance and provide guidance on the operation of the Government departments.

Publicity and Enforcement

To publicize the amended legislation, Announcement of Public Interests has been broadcast on TV and radio since end of May 2013. To help traders understand the fair trading sections of the TDO and the consequences of non-compliance, 76 seminars/briefing sessions were delivered to retailers, exhibitors, non-government organizations/associations and the public. Besides, pamphlets have been distributed to the public, retail shops, exhibitors and tourists so as to draw their heed to the newly implemented Amendment Ordinance.

In 2013, the Department carried out 4,691 spot checks against retail shops, including those frequented by overseas and Mainland visitors. Meanwhile, Customs officers, some in plain-clothes, patrolled various trade fairs and exhibitions to deter dishonest sales and to ensure the traders' compliance with the laws. During the year, the

Department received 2,360 (1,861 on goods and 499 on services) unfair trade practices-related complaints, most of which involved foodstuff, dried seafood, Chinese herbs, regulated electronic products, health and beauty products and tourism services. The number of investigations conducted were 833 (707 on goods and 126 on services), 65 of which led to prosecution and 32 concluded with administrative action. With the consent of the Secretary for Justice, the Department accepted 1 written undertaking from a local education institution. Seizures in 2 cases were ordered to be forfeited by court even though no offenders were caught, and 21 advisory letters were issued to remind the concerned traders about their obligations to comply with the fair trading sections under the TDO.



Officers conducting spot check at a dried seafood shop to enforce the Trade Descriptions Ordinance.

As a proactive approach to protect consumers, the Department operates a “Product Monitoring Scheme” to detect sales of fake or misrepresented products. Under the Scheme, unscrupulous traders respectively selling mosquito repelling device with false specifications and misrepresented fish oil soft gels were summoned or charged for violations of the TDO during the year.

The Department has a mechanism of Quick Response Teams to handle urgent complaints lodged by short-haul visitors or local consumers. During the year, Quick Response Teams were summoned on 21 occasions to handle urgent complaints. No offence was detected.

Setting up of Special Duties Team

For optimal and effective use of enforcement resources, a Special Duties Team staffed with disciplined services members and experienced Trade Controls Officer Grade officers has been temporarily established in December 2013 to deal with cases

involving sophisticated operational modes and/or syndicate crimes in the context of the TDO.

To raise public awareness of consumer rights and to remind retailers of their legal obligations, the Department launched publicity campaign by distributing pamphlets with the salient points of the TDO to local consumers and visitors at tourists areas, shops registered with the Travel Industry Council of Hong Kong as well as the passenger arrival halls of various control points. The Department also conducted joint operations with the Hong Kong Police Force, Department of Health, Food and Environmental Hygiene Department and exchanged information on unfair trade practices with the Consumer Council, Travel Industry Council of Hong Kong, Hong Kong Tourism Board, Hong Kong Trade Development Council and other stakeholders to better protect consumers.



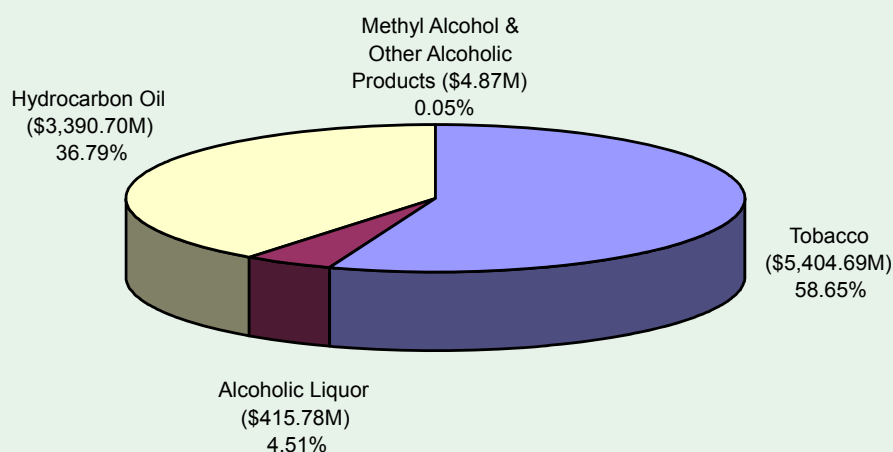
Officers delivering an education-oriented seminar to traders.

8. Revenue Collection and Protection

Revenue

In 2013, excise duties collected was HK\$9,216.04 million, including 36.79% from hydrocarbon oil, 58.65% from tobacco, 4.51% from alcoholic liquor and 0.05% from methyl alcohol and other alcoholic products. The revenue collected in 2013 increased by 6.41% compared to 2012. The percentage distribution of duty collection by commodities is shown in the diagram.

Duty Collection in 2013



Open Bond System

All dutiable commodities bonded warehouses in Hong Kong are currently licensed under the Open Bond System (OBS), which was introduced on 1 April 2003 to



Routine compliance check at a bonded warehouse.

facilitate legitimate business activities. Operating cost of the trade has been much lowered because of the facilitation. Under the OBS, Customs controls are exercised through post-transaction auditing, compliance checks and surprise checks on the loading and unloading of dutiable goods. The number of bonded warehouses increased steadily over the years under OBS, from 38 in April 2003 to 84 in December 2013.

Vehicle Valuation

Ever since the Motor Vehicles (First Registration Tax) Ordinance was amended to change the taxable value of vehicles as the amount to be calculated on the basis of retail price in 1994, Customs undertook the duty of vehicle valuation by maintaining a registration scheme for motor vehicle traders and a value assessment system for motor vehicles. Application for vehicle valuation and filing of Import Return can be done by electronic submission via the First Registration Tax (FRT) System. Over the years, the number of vehicles imported into Hong Kong for use on the road has been on steady increases. In 2013, the number of vehicles first registered by the Transport Department was 61,263 and the amount of FRT collected was HK\$8,100 million.

In 2013, there were a total of 57 registered importers/distributors prosecuted for contravening the Motors Vehicles (First Registration Tax) Ordinance, including sole distributor and parallel-importers and 297 numbers of vehicles were involved. Penalty imposed by court ranged from a few thousand dollars to HK\$970,000. Compared with 2012 where 63 registered importers/distributors were prosecuted and 153 vehicles were involved, the situation of violation remained to be serious. Selling vehicles at a price higher than the approved price continued to be the trend of violation. To enhance control on the fraud on FRT, the Department in 2013 had deployed additional manpower to conduct vehicle inspections and check the declared information of vehicles for countering tax evasion. A total of 1,206 vehicles were inspected. The Department will continue to enhance market research and analysis to protect consumers' rights and combat tax evasion activities.

Illicit Fuel

Illicit fuel activities continued to reduce in magnitude. There had been fading trends of smuggling duty-not-paid light diesel oil from China for sale in the black market and illegal use of marked/detreated oil as vehicular fuel, following the reduction of the duty rate of Euro V diesel to zero since 14 July 2008. While the



Illicit motor spirit is discharging from cross-boundary vehicle.

price difference still provided the necessary impetus for smuggling cheaper motor spirit from the Mainland to Hong Kong for sale, the steady increase in the exchange rate of Reminbi led to shrinking profit margins, and hence a lesser incentive for the such activities. Only small-scale “ants-moving-home” smuggling activities by cross-boundary vehicles remained while the illicit fueling stations just operated in a sporadic manner in remote areas of the New Territories. With the persistent enforcement actions of the Department, the illicit fuel activities were effectively contained. In 2013, 74 cases were detected with 22 400 litres of illicit fuel (excluding export cases) seized, representing a decrease of 55% in cases and a drop of 57% in seizures over 2012.

Illicit Cigarettes

The Department effected 11 161 illicit cigarette cases with the seizures of 89 million sticks of cigarettes and the arrests of 11 275 persons in 2013. The total value of the



Illicit cigarette sorting and repacking centre was smashed.

seized illicit cigarettes was HK\$220 million and the duty potential was HK\$150 million. As compared with the preceding year, the number of cases and arrests both increased by 2%. Among the seizures, about 79 million sticks were related to local illicit cigarette activities, representing an increase of about 18% as compared with 2012, as a result of the strategic enforcement actions adopted by the Department against the illicit sales at source.

Telephone ordering has taken over street peddling to become the predominant distribution channel of illicit cigarettes. To suppress such activities, two task units were formed in 2012 and 2013 respectively to collect and analyze intelligence and mount special operations. The outcome achieved was impressive, with 195 cases involving 2 million sticks of illicit cigarettes seized and 225 persons arrested in 2013.



Delivery vehicle for telephone ordering of illicit cigarettes.

9. Trade Controls

Upholding Hong Kong's Trading Integrity

Given the importance of trade and industry to the economy of Hong Kong, the Department enforces various trade controls systems including the Certification of Origin System, the Textiles Control System, the Strategic Trade Control System, the Import and Export Declaration System and the Kimberley Process Certification Scheme to ensure that Hong Kong fully discharges its international obligations and complies with multilateral trade agreements. Through its enforcement actions, the Department also protects the legitimate interests of traders and manufacturers. In addition, the Department mediates disputes between overseas traders and local suppliers to safeguard Hong Kong's trading reputation.

Certification of Origin System

Hong Kong maintains a comprehensive Certification of Origin System to establish the origin of goods produced in Hong Kong. As part of the control arrangements, Certificate of Origin (CO) applications covering exports of cut-and-sewn garments to the United States of America have to be supported by production notifications (PNs) validated by the Trade and Industry Department (TID). The PN requirement serves to ensure that the origin-conferring process for the manufacture of cut-and-sewn garments has taken place in Hong Kong. To uphold the credibility and integrity of the System, the Department conducts pre-registration inspections on factories applying for CO facilities to authenticate their production capacities. Also, periodic inspections were carried out on the factories to ensure their continuous compliance with registration conditions, and consignment checks on goods covered by CO applications and PNs. In 2013, the Department conducted 1 053 factory inspections and consignment checks (not counting those related to the Certificate of Hong Kong Origin (CEPA)).

Textiles Control System

With the elimination of textiles quotas on textiles and clothing (T&C) products starting from 1 January 2005, Hong Kong adopts a simple yet effective Textiles Control System which grants further facilitation to the trade while maintaining necessary control to safeguard the overall interest of Hong Kong's textiles trade. The Department is committed to taking rigorous enforcement actions so as to maintain the integrity and credibility of the System in fulfillment of international obligations, thereby ensuring unrestricted access of Hong Kong's T&C products to the world markets.

The Department operates a comprehensive enforcement programme and reviews regularly its strategies to meet the changing circumstances in the global and local T&C trade and industry. The Department adopts an intelligence-led strategy and a two-pronged approach to tackle the problem of illegal textile transshipment. Apart from the factory-based pre-shipment and post-shipment checks, real time production checks and factory audit checks, it regularizes blitz check operations and strengthens targeted checks and investigations.

Blitz checks are surprise inspections of cargo consignments at the control points. It has been proven effective in tackling illegal transshipments. The strategic use of intelligence and risk management in blitz check operations has greatly enhanced the Department's effectiveness in combating illegal transshipment activities.

Owing to our vigorous enforcement actions and the lifting of restrictive measures on Mainland's T&C exports to the US and EU markets, the illegal transshipment activity of Mainland T&C products has been greatly reduced. In 2013, the Department examined 933 consignments in 41 blitz check operations. 28 persons / companies were prosecuted for various textiles-related offences, resulting in court fines of HK\$0.4 million and seizure of textiles and clothing goods valued at HK\$0.02 million.

In addition, to weed out shady establishments engaging in illegal transshipment of textiles, the Department mounted special operations in 2013 by conducting audit checks on 2 factories to verify their production capability within specified manufacturing periods. As a result, both factories were suspended from further using the licensing and certification facilities.

Strategic Trade Control System

To maintain a free flow of high-tech commodities for legitimate commercial use and academic research while at the same time to prevent Hong Kong from being used as a conduit for the proliferation of controlled strategic goods, the Department, in collaboration with the TID, vigorously enforces the Strategic Trade Control System to monitor the flow of strategic commodities and to detect services engaged in the development and production of weapons of mass destruction.

The Chemical Weapons (Convention) Ordinance which aims to fully implement the Chemical Weapons Convention in Hong Kong, underlines Hong Kong's commitment to internationally agreed arrangements on the ban of chemical weapons and on the monitoring of activities involving sensitive chemicals. Through enforcement of the Ordinance, the Department helps ensure Hong Kong's continued access to a full

range of chemicals needed for local industrial, medical, research and trading purposes.



Officers inspecting a consignment of Night Vision Riflescopes intercepted at the Airport.



Officers inspecting a consignment of Valves intercepted at the Kwai Chung Cargo Terminal.

In combating illegal diversion of strategic commodities, the Department carries out licence checks to verify the authenticity of information given in import and export licence applications and carry out checks on the disposal of the consignment after importation (disposal checks) to ensure that articles imported are used as declared. In 2013, the Department conducted 551 import licence checks, 1 264 export licence checks and 575 disposal checks, investigated 117 cases, and prosecuted 51 persons / companies leading to a total fine of HK\$2.9 million. In these cases, the value of goods involved was HK\$53.6 million.

Import and Export Declarations and Cargo Manifests

The Department administers the Import and Export Declaration and Cargo Manifests

System. Under the Import and Export (Registration) Regulations (Cap. 60E), cargo carriers are required to lodge with the Commissioner of Customs and Excise cargo manifests within 14 days after the arrival or departure of the cargoes imported into or exported out of Hong Kong. Moreover, any person who imports or exports/re-exports an article other than an exempted article is required by law to lodge an import or export/re-export declaration within 14 days after importation or exportation of the article and to pay a declaration charge. For exports of Hong Kong manufactured clothing (including footwear) items specified in the Schedule to the Industrial Training (Clothing Industry) Ordinance, an additional clothing industry training levy has to be paid. The Department conducts checks to ensure that accurate, full and completed cargo manifests, and import and export/re-export declarations are submitted within the statutory time frame. Late lodgment of cargo manifests/declarations or lodgment of inaccurate cargo manifests/declarations is liable to prosecution and penalties.

The Department received 19.2 million declarations and collected HK\$969 million import and export declaration charges / clothing industry training levies/late penalties in 2013. Short-paid declaration charges / clothing industry training levies recovered and late/administrative penalties imposed amounted to HK\$22 million. The Department also received around 8.3 million cargo manifests in respect of air, ocean, rail and road modes of transport.

Educational Seminars

In order to reduce the number of late and non-lodgment cases, since August 2008 the Department organizes regular educational seminars to remind traders and carriers / forwarders of their obligation and to improve their knowledge in lodging timely and accurate trade declarations and cargo manifests. The Department organized 20 educational seminars for 334 traders and carriers/forwarders in 2013. Furthermore, the Department continued to work closely with the Census and Statistics Department with a view to promoting the awareness of timely lodgment of cargo manifests and import/export declarations.

Assistance to Overseas Customs Administrations on Valuation Fraud Cases

Being a member of the World Customs Organization, the Department offers assistance to other Customs administrations upon their requests for investigation of customs duty related frauds. In 2013, the Department received 31 requests, and most of them involved under-valuation of goods.

Closer Economic Partnership Arrangement (CEPA) - Trade in Goods

Since the implementation of CEPA on 1 January 2004, 1 788 items of Hong Kong products currently enjoy zero tariff treatment upon importation into the Mainland if they are covered by a Certificate of Hong Kong Origin (CEPA) (CO(CEPA)). In 2013, a total of 14 473 applications for CO(CEPA) were received. Of these applications, 14 211 CO(CEPA)s at a total value of HK\$9.6 billion were issued. These applications covered a wide range of products, top five of which in terms of value were pharmaceutical products, plastic materials and articles, textiles and clothing, food and beverage, and chemical products.

Charged with the enforcement duties of the CEPA Certification System, the Department conducted consignment checks against 1 670 applications for CO(CEPA) and examined 28 CEPA consignments at various cargo exit points in 2013.

Kimberley Process (KP) Certification Scheme

The Kimberley Process (KP) Certification Scheme for rough diamonds has been developed by the KP, an international negotiating forum that seeks to stop the trade in "conflict diamonds" from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament. Some 80 economies including the People's Republic of China (PRC) have participated in the Certification Scheme. Hong Kong joined the Scheme as a designated importing and exporting authority of the PRC in order to safeguard Hong Kong's interest as a trading hub of diamonds in this region. The Certification Scheme, which requires registration of rough diamond traders and comprises a certification system for the import and export of rough diamonds, has been implemented in Hong Kong since 2 January 2003. The Department conducted a total of 829 consignment inspections and 9 investigations on rough diamonds during the year.



Officers conducting testing on rough diamonds with a diamond tester.

Reserved Commodities Control

Through the enforcement of the Reserved Commodities Ordinance, the Department monitors the import and export of rice and ensures a stable supply of the commodity in Hong Kong. The Department conducted 4 295 inspections, investigated 22 cases, prosecuted 18 persons / companies, resulting in a fine of HK\$78,700 in 2013. In

these cases, the value of the rice and mixed grains involved was HK\$0.92 million.

Mainland Cereals and Grain Flours Control

To complement the measures imposed by the Mainland Customs to regulate on a quota basis the export of cereals and grain flours, including wheat flour, rice flour and rice which are export duty exempted, the TID implemented a registration arrangement for local importers of cereals and grain flour from the Mainland in early 2008. To support the arrangement and to ensure the cereals and grain flour imported from the Mainland were solely for local consumption, in 2013 the Department conducted 251 inspections/verifications and 5 investigations, the value of the goods involved in the investigation cases was HK\$1.14 million.

Trade Mediation

To protect Hong Kong's trading reputation, the Department provides free mediation service to settle cases of trade dispute lodged by overseas trading firms against local companies. In 2013, the Department mediated in 89 cases and 23 of them were successfully settled.

Anti-money Laundering and Counter-financing of Terrorism

To better align Hong Kong's anti-money laundering (AML) and counter-financing of terrorism (CFT) regime with the prevailing international standards, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) came into operation on 1 April 2012. Under the AMLO, the Commissioner of Customs and Excise is the relevant authority of the money service operators (MSOs), i.e., remittance agents and money changers, and the Postmaster General (PMG). Apart from administering the statutory licensing regime, the Department supervises the licensed MSOs and the PMG through ongoing supervision of their compliance with the customer due diligence (CDD) and record-keeping requirements. Any non-compliance with the statutory requirements may be liable to criminal or civil sanctions. The compliance inspection to the licensed MSOs was commenced in December 2013 and no punitive action has been instituted. Up to 31 December 2013, there were 1,155 licensees on the Register of MSO Licensees. Among them, 280 were granted in 2013. The Department also spares no effort in detecting and investigating unlicensed money service operators and other licence-related offences. In 2013, the Department prosecuted 12 persons for unlicensed operation of money service, leading to a total fine of HK\$150,000 with one defendant imposed with a 4 weeks' imprisonment, suspended for 18 months.

The Department will continue to organize seminars or training courses to enhance the MSOs' awareness and compliance with the statutory responsibilities.



Officers of Money Service Supervision Bureau (MSSB) conducted a seminar about the legal obligation and statutory requirements as an MSO under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

10. Customs Co-operation

World Customs Organization (WCO)

In 2013, the Department continued its active participation in the WCO fora, including the Policy Commission Sessions, Council Sessions and meetings organized by the WCO working bodies such as the Permanent Technical Committee, the Enforcement Committee, the Secure and Facilitate Global Trade (SAFE) Working Group, the Technical Experts Group on Air Cargo Security, the Integrity Sub-Committee, the Information Management Sub-Committee, the Capacity Building Committee, the Working Group on Commercial Fraud, the Electronic Crime Expert Group and the Counterfeiting and Piracy Group. The Department also rendered full support to the WCO's activities, including seminars and workshops relating to the promotion of customs capacity building, customs integrity, trade facilitation, anti-piracy, green customs and global supply chain security, and participated in various enforcement operations coordinated by the WCO.

As a representative of the Asia Pacific (A/P) Region in the WCO Policy Commission (PC) for a 2-year term (2012/2014), the Department continued to assist the WCO in formulating major Customs initiatives and strategies. To support the WCO in organizing and coordinating global Customs' operations, the Department had deployed an officer to the WCO Compliance and Facilitation Directorate to work as a technical attaché since September 2012.

With a view to providing a platform for Member administrations of the A/P Region to strategically discuss and develop a sustainable drug enforcement strategy across nations, the Department and the Australia Customs and Border Protection Service (Vice-Chair of the WCO A/P Region) co-hosted the WCO Asia/Pacific Regional High-level Seminar on Customs Anti-drug Strategy in December 2013 in Hong Kong.



The WCO Asia/Pacific Regional High-level Seminar on Customs Anti-drug Strategy held at Customs Headquarters Building in December 2013.

WCO Regional Intelligence Liaison Office for Asia and the Pacific (RILO A/P)

In 2013, the Department continued to provide human resource support to the RILO A/P. An officer of the Department was seconded to the RILO A/P, working as an intelligence analyst. Being the coordinators of the Focus Area “Compliance and Enforcement” of the WCO A/P Regional Strategic Plan (RSP) 2012-14, the Department and the RILO A/P worked closely to take forward the defined specific actions. Under the coordination of RILO A/P, the Department exchanged intelligence with Customs administrations within the A/P region or in other regions for conducting investigation into cases of suspected transnational Customs crimes.

The Department continued to take part in major projects of the RILO A/P, namely the “Project Crocodile”, “Project Sky-Hole-Patching” as well as the “Drugs Seizures Immediate Notification System (DSINS)” respectively against cigarette smuggling, environmental waste smuggling and dangerous drugs trafficking by air transport. In 2013, the Department initiated to extend the coverage of the DSINS to cases detected at seaports and a 1-year pilot run held by RILO A/P had commenced in August 2013.

WCO Asia Pacific Regional Office for Capacity Building (ROCB A/P)

In 2013, the Department continued to support the WCO regional capacity building initiatives and worked closely with the ROCB A/P. An officer of the Department was seconded to ROCB A/P in Bangkok to work as a technical attaché.

In collaboration with the ROCB A/P, the Department organized the WCO Regional Workshop on the Economic Competitiveness Package in June 2013 and the WCO Asia Pacific Regional Workshop on Computer Forensics in August 2013. The 3-day regional workshop on computer forensics was pioneered by the Department with a view to strengthening regional enforcement capabilities on computer forensics and enabling experience sharing among Member administrations of the A/P Region. Following the workshop, the Department joined hands with the ROCB A/P and Malaysia Customs in producing the “ROCB A/P Good Practice Report on Computer Forensics”, which was published in December 2013 for regional members’ benchmarking reference.



Participants of the WCO Asia Pacific Regional Workshop on Computer Forensics visit the Computer Forensic Laboratory.

Asia Pacific Economic Co-operation (APEC)

In 2013, the Department participated actively in various APEC meetings and events in Indonesia.

In September 2013, the Department and the Japan administration jointly submitted a project proposal in organizing a Workshop on Intellectual Property Rights (IPR) Border Enforcement to take forward the Capacity Building Plan under the IPR Collective Action Plan (CAP) developed by the two administrations in 2012. The Workshop aimed to strengthen Customs capabilities and promote Customs-business partnership in IPR border enforcement. The proposal was subsequently approved by the APEC Budget and Management Committee and the Workshop would be held in November 2014 in Hong Kong.

At the 1st and 2nd SCCP Meeting held respectively in January and June 2013, the Department shared experiences with APEC member economies on the efforts in wildlife protection, the control on hazardous waste, as well as the development of computer forensic investigation of the Department.



Delegates at the 2013 2nd APEC Sub-Committee on Customs Procedures Meeting.

Co-operation with other Customs Administrations

Through regular bilateral meetings, the Department has enhanced mutual co-operation with the Mainland, Macao Special Administrative Region and other Customs administrations by establishing stronger exchange networks for combating transnational crimes. In 2013, the following co-operation events were held with other Customs administrations:

Overseas Customs Administrations

Signing of bilateral arrangements on Customs co-operation with Argentine, Vietnam and Russian Customs

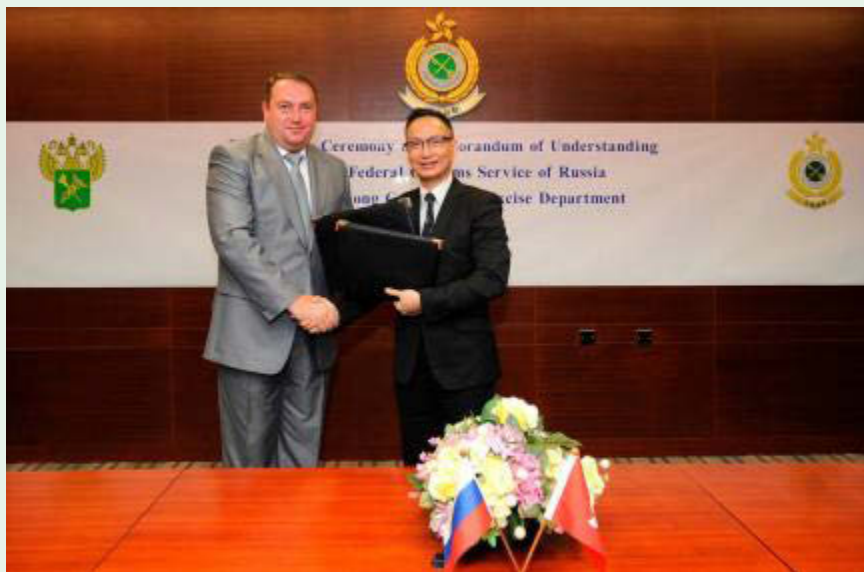
The Department concluded bilateral co-operative arrangements with the Customs administrations of Argentina and Vietnam respectively on 27 and 28 June 2013 and Russia on 9 October 2013. Signing of the instrument marked the common wish of the Customs administrations concerned to co-operate more closely through mutual administrative assistance in various areas including the exchange of information and enforcement of customs laws.



Commissioner of Customs and Excise, Mr Clement Cheung (right), and the Federal Administrator of the Federal Administration of Public Revenue of the Argentine Republic, Mr Ricardo Echegaray (left), representing their respective Customs administrations in signing a Memorandum of Understanding on Customs co-operation in Brussels.



Commissioner of Customs and Excise, Mr Clement Cheung (third right), and the Director General of the General Department of Vietnam Customs, Mr Nguyen Ngoc Tuc (third left), in the signing ceremony of Customs Co-operative Arrangement between both Customs administrations in Brussels.



Commissioner of Customs and Excise, Mr Clement Cheung (right), and the Deputy Head of the Federal Customs Service of Russia, Mr Sergey Komlichenko (left) exchanged the signed Memorandum of Understanding on Customs co-operation in Hong Kong.

Mainland and Macao Customs

- **The Annual Review Meeting with the General Administration of China Customs (GACC) in Hong Kong**

Between 13 and 15 May 2013, the Commissioner of Customs and Excise led a 9-member delegation to attend the Annual Review Meeting between the GACC and Hong Kong Customs in Hong Kong. This was the 13th Annual Review Meeting between the two administrations since the signing of the Customs Co-operative Arrangement in 2000. During the meeting, the two administrations reviewed the achievements made in 2012 and agreed to enhance co-operation in various areas in the year ahead. A Co-operation Plan for 2013 was endorsed by both parties.



Commissioner of Customs and Excise, Mr Clement Cheung (third from left) and Minister of GACC, Mr Yu Guangzhou (second from right) respectively led the Hong Kong and Mainland Customs delegations to attend the Annual Review Meeting between the GACC and Hong Kong Customs in Hong Kong on 13 May 2013.

- **The Annual Review Meeting with the Guangdong Sub-Administration of China Customs (GSAC) in Hong Kong**

On 10 September 2013, the Annual Review Meeting between the GSAC and Hong Kong Customs was held in Hong Kong. The meeting reviewed the outcome of joint efforts over the past year and mapped out an action plan for the coming year. The two sides also agreed to step up co-operation on trade facilitation, anti-smuggling, anti-narcotics, intellectual property rights protection and staff training.



Commissioner of Customs and Excise, Mr Clement Cheung (left) and the Vice Minister of the GACC cum Director General of the GSAC, Mr Lu Bin (right) respectively led the Hong Kong and Guangdong Customs delegations to attend the Annual Review Meeting between the GSAC and Hong Kong Customs in Hong Kong on 10 September 2013.

- **The 31st Annual Meeting with Macao Customs Service/Macao Economic Services in Macao**

On 15 July 2013, the Commissioner of Customs and Excise led a 6-member delegation to attend the 31st Annual Meeting between the Macao Customs Service/Macao Economic Services and Hong Kong Customs in Macao. During the meeting, the two administrations discussed areas of emerging risk and matters of mutual concern.



Commissioner of Customs and Excise, Mr Clement Cheung (third right, front row) with Director-General of Macao Customs Service, Mr Chõi Lai Hang (third left, front row), and members of the delegation.

11. Information Technology

Since early-1980s, the Department has been adopting information technology in different areas to enhance efficiency and service quality.



Replacement of Case Processing System (CAPS)

In April 2011, the Finance Committee approved HK\$45.72 million to replace the CAPS operated for 12 years. The new system is equipped with analysis and monitoring tools for enhanced investigation capability and case management control. The overall system security is improved by adopting centralized Storage Area Network with encryption capability for data storage and transmission. Digital certificates are also introduced for user authentication in seizure management functions.

Series of classroom training, briefing sessions, departmental seminars and other training packages were organized and prepared for all CAPS users to familiarize with the new system. A suite of acceptance testing was also conducted by the user representatives. The system migration was completed and the system was launched in June 2013 successfully.

Electronic Systems in Trade Facilitation

The Department is committed to promoting e-business via development of platforms to facilitate submission of selected trade documents. In this regard, the Road Cargo System was fully launched on 17 November 2011 after an 18-month transitional period.

Money Service Operators Licensing System, implemented on 30 September 2012, provides a convenient channel for money service operators to submit licence applications, quarterly returns and retrieve application status. Besides, it provides instant access to the Register of Licensees, thus allowing members of the public to ascertain whether they are dealing with a legitimate counterparty.

The Department has also secured funding approval from the Finance Committee of the Legislative Council to implement a Dutiable Commodities System (DCS) to revamp the existing obsolete computer system and to provide better functions in relation to Dutiable Commodities (DC) administration. As a trade facilitation measure, the DCS will extend the current electronic mode of operations for permit applications to licensing applications. The project is scheduled to commence in July 2014 and complete in November 2016.

Computer Facilities for New Control Points and Customs Facilities

The Department is actively involved in provision of computer facilities and equipment to support Customs operations at Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, Liantang/Heung Yuen Wai Boundary Control Point and Midfield Concourse due for commissioning from 2016 to 2018.

Computer Forensic Laboratory (CFL)

Rapid IT development enhances operational efficiency but also avails opportunity for those who exploit technology for the perpetration of crimes, rendering preservation and collection of digital evidence an indispensable part of investigation on computer-related offences. In 2000, the CFL and Computer Analysis and Response Teams were set up to assist frontline investigators in analysis of digital evidence and subsequent prosecution in court.

In 2006, CFL was accredited with ISO 9001 on Quality Management and ISO 27001 on Information Security, becoming the first government computer forensic laboratory to do so and successfully establishing a set of standards on integrity and professionalism.



CFL staff conducting data recovery on physical hard disk.

Since its establishment, CFL has processed 791 cases involving 572 computers, 793 optical disc replicating machines, 562 mobile phones, 913 SIM cards and 892 memory cards that involved intellectual property right infringement, internet piracy money laundering, drug trafficking, smuggling, false trade descriptions and revenue frauds.

12. Management Services and Development

Office of Service Quality and Management Audit

Responsibility for ensuring good performance of the Department falls on the Office of Service Quality and Management Audit (OQA) which is tasked to conduct various reviews and inspections. Through attempts to improve quality and ensure compliance with established policies, rules and procedures, OQA also assists in ad hoc projects and monitors achievement made towards fulfilling our corporate objectives and performance targets.

In recognition of its professionalism and capability, OQA was first awarded the ISO 9001:2000 Certificate for Quality Management System in April 2005, first of its kind ever obtained by the Department, progressing in 2009 to ISO 9001:2008 status. It is subject to external audit, the last one being done in July 2013.

When drawing up the annual business plan and job priority, OQA forges a close partnership with major formations through the Service Quality Projects Consultative Meeting that determines a set of deliverables for each financial year. This mechanism seeks to pool together ideas for fruitful and constructive outcome.

In recent years, OQA spearheaded a series of studies aimed at boosting efficacy and streamlining procedures that spanned across topics like handling of detained/seized articles in exhibit stores, private car clearance at land boundary control points, firearms training and test system, establishment reviews on investigation and surveillance teams as well as passenger and cargo clearance setups. The most recent ones focused on monitoring and control of investigation cases and seizure management, the intelligence-led mode of clearance strategy as well as assisting in BPR Study for the Department's intelligence system with an aim to reviewing and enhancing the intelligence workflow process.

13. Planning and Development

New Control Points and Infrastructural Projects under Planning

A number of infrastructural projects are in the pipeline to support Hong Kong's continued economic development and cope with the flow of cross-boundary traffic:

- Guangzhou-Shenzhen-Hong Kong Express Rail Link.
- Hong Kong-Zhuhai-Macao Bridge.
- Liantang/Heung Yuen Wai Boundary Control Point.
- Midfield Expansion of Hong Kong International Airport (Phase I).
- Ocean Terminal.
- Cathay Pacific Cargo Terminal.
- Kai Tak Cruise Terminal.

Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL)

Construction of XRL, which commenced in January 2010 and due for completion in 2016, will provide intercity connection from West Kowloon in Hong Kong to Futian and Longhua in Shenzhen, Humen in Dongguan and Shibi in Guangzhou as well as high speed long-haul train services destined for major cities in the Mainland.

Proposed alignment for the Hong Kong section of XRL runs along a 26-km underground tunnel from West Kowloon Terminus to join the Mainland section at Huanggang. The total journey will take 48 minutes to arrive at Shibi and 14 minutes to reach Futian.

Hong Kong-Zhuhai-Macao Bridge (HZMB)

Construction of HZMB commenced in December 2009 while that of the Hong Kong Boundary Crossing Facilities and Hong Kong Link Road in December 2011 and May 2012 respectively.

Targeted for commissioning in 2016, HZMB is of strategic importance to regional economic integration by bringing Hong Kong, Macao and the Western Pearl River Delta within a reachable 3-hour commuting radius. It comprises a 29.6 km bridge-cum-tunnel structure in the form of dual-3-lane carriageway starting from the artificial islands off Gongbei and Macao to the artificial island west of Hong Kong. Boundary crossing facilities will be set up by each government within its own

respective territory.

Liantang/Heung Yuen Wai Boundary Control Point (LT/HYW BCP)

The new boundary control point expected to become operational not later than 2018 will help to redistribute cross-boundary traffic amongst other existing crossings and alleviate congestion. It adopts “separate-location model” and “2-storey concept” design with a footprint of about 23 hectares on the Hong Kong side. Facilities for goods vehicles and public transport interchange are located on ground level, while the upper level will cater for passengers as well as private cars and coaches. The distance between immigration kiosks and customs checkpoints of the two sides will be minimized through an integrated passenger hall across the Shenzhen River.

Midfield Expansion of Hong Kong International Airport (Phase I)

To cater for the forecast air traffic demand up to 2020, the Airport Authority Hong Kong is implementing a midfield expansion project to provide additional aircraft stands and apron facilities and a new passenger concourse. Phase 1 of the midfield development, which comprises a midfield concourse (MFC) of 20 aircraft parking stands, is due for completion in 2015.

The MFC is located between the existing two runways and west of the Terminal 1 with a total floor area of 73 000 m². It is connected to the Terminal 1 West Hall by Automated People Mover with designated handling capacity of 10 million passengers per annum.

Ocean Terminal

The Government re-granted the lease of Ocean Terminal to Wharf Holdings Limited for another term of 21 years on 12 June 2012, under which permanent Customs clearance facilities will be set up for cruise passengers by June 2017.

Cathay Pacific Cargo Terminal

In March 2008, the Airport Authority awarded a non-exclusive 20-year franchise to Cathay Pacific Services Limited, for the design, construction and operation of a new cargo terminal with handling capacity of 2.6 million tons per annum. The new cargo terminal, which is located on a 10-hectare site, commenced its operation in February 2013.

Kai Tak Cruise Terminal

The Kai Tak Cruise Terminal project aims to develop Hong Kong into a leading regional cruise hub through the construction of a world-class cruise terminal with state-of-the-art facilities.

The Kai Tak Cruise Terminal which located at the southern end of the former airport runway in Kai Tak commenced its operation in June 2013 with the opening of its first berth.

14. Administration

Human Resources Management

The Department's human resources management aims at strengthening the capabilities of staff in achieving the Department's mission and in delivering business results in an efficient and effective manner. The Department maintains a good and stable governance through the implementation of various established best practices in recruitment, performance management, promotion, reward, discipline and posting. Inspectorate, Customs Officer and Trade Controls Officer Grade officers will be exposed to core Customs functions at the early stage of their career with a view to enabling the development of professionalism. Through structured training, job rotation and career development opportunities, the Department has been able to develop a knowledgeable and responsive workforce to meet the organizational objectives and cope with the ever-changing operating environment.

Promotion of Staff Integrity and "Healthy Lifestyle"

The Department is committed to maintaining a responsible and reliable workforce. To cultivate a strong culture of professional ethic and probity among staff, the Department launched a series of educational and publicity campaigns on staff integrity and healthy lifestyle in the past year.



Mrs. Rita Fan was invited as guest speaker for Department Seminar.

On the publicity front, the departmental newsletter on promoting healthy lifestyle and staff integrity, “*The Pine*”, continued to instill the concept of healthy lifestyle into staff by widely covering stories of the following areas:

- Experience sharing of celebrities on positive and balanced work-life attitude.
- Participation in volunteer work and community services.
- Balanced diet.
- Care and love to family members, colleagues and community.

“*The Pine*” also had a caricature section to promote staff’s application of integrity and professional ethics principles as promulgated in the Code on Conduct and Discipline under different real-life circumstances.

On the education front, the Department worked hand-in-hand with professional institutions with a view to arousing staff’s concern on mental health. Eight series of Mental Health related courses and two Workshops on Handling of Problem Gamblers were organized in 2013.

Welfare, Sports and Recreation

In 2013, the Departmental Sports and Recreation Club organized over 200 sports and recreational events including charitable activities, training classes, performances and inter-command competitions for staff and their families.



Swimming Gala 2013.

To give a closer attention to staff welfare needs and to promote a caring culture among our colleagues, the Department fine-tuned the health and welfare management system. In 2013, there were 83 officers appointed as Health and Welfare Managers in various offices. These officers were provided with job related training and access to welfare-related information system to perform their job effectively. In addition to conducting periodic welfare visits, they acted as contact points for officers seeking assistance in matters related to welfare, health and work.

Apart from in-house assistance, the Department also commissioned the Christian Family Service Centre to provide counselling services for individual officers and their family members, including a 24-hour telephone hotline for instant counselling and face-to-face counselling by professional social workers. The agency and other non-governmental social welfare organizations also provided training sessions to Health and Welfare Managers as well as colleagues in different Formations in mental health first aid, handling of pathological gamblers, counselling skills and knowledge, etc.

15. Training and Development

To sustain the professionalism and expertise of its staff and to develop them throughout their careers, the Department took significant efforts on staff training and development. It basically pursues a competency-based strategy which is supplemented by personal development programmes for individual staff.

Office of Training and Development

The Office of Training and Development (OTD) of the Administration and Human Resource Development Branch is responsible for organizing or coordinating training and development programmes for members of the Customs and Excise Service as well as the Trade Controls Officer Grade officers. It also implements training policies determined by the Department's Training Steering Committee, which is chaired by the Deputy Commissioner. While OTD is responsible for cross-formation training and development, individual major formations are responsible for organizing formation-specific training.

Training and Development Activities

The Department formulates its human resources development strategies on the basis of the competency requirements of its staff who are tasked to fulfill specific departmental functions. OTD organized a wide range of training programmes in 2013 to enhance the core competencies and functional competencies of officers (Appendix 13). Training and development activities were principally designed in accordance with the training roadmap for officers at individual grades and ranks.

For benchmarking international best practices and providing officers with exposure opportunities, the Department sent 127 officers to attend different training and attachment programmes hosted by academic institutions, customs organizations and law enforcement administrations in the Mainland and overseas in 2013.

Foundation Learning and Development

A good foundation can help an organization grow stronger and healthier. To equip new recruits with better and practical job knowledge and skills, Customs and Excise Training School (CETS) has always taken proactive actions to provide high quality foundation training – induction and continuation – by upgrading its instructors' quality, instructional facilities and materials, and course syllabuses.

Besides discipline, virtues, integrity and healthy lifestyles, a diverse mix of knowledge (e.g. Laws of Hong Kong, import and export trade practices, leadership, foot drill, use of force, practical training and Putonghua) are incorporated into the induction training for both Inspector and Customs Officer recruits. To enable them to get acquaintance with the workplace environment, more simulated and interactive exercises were introduced. Moreover, relevant personalities will be invited to share vision and experience with the trainees.

Language Proficiency

The increased flow of cross-boundary passenger traffic and intensified contact with the Mainland require officers to be proficient in Putonghua. To this end, the Department organized courses at intermediate level for all middle-ranking officers and above as well as job-related modules for frontline staff.

Personal Development of Staff

The Department advocates a schematic approach whereby senior and middle managers are nurtured through a designated roadmap. In 2013, four senior officers attended advanced leadership / management development programmes at renowned overseas institutes and 18 officers attended executive training or study visits in the Mainland.

Continuous Learning and Development

The Department embarks on a multi-pronged approach in promoting continuous learning and development in order to meet the ever-changing enforcement environment and rising public expectations. In addition to conventional classroom-type training, the Customs and Excise Information Portal launched in January 2008 paves way for individual officers to achieve self-learning through the Internet at his/her own paces. The Department also revamped the portal in September 2010 to offer enhanced features and a platform for staff unions and sports and recreation clubs to upload latest news.

The Department also collaborates with the Civil Service Training and Development Institute to deliver e-Learning through the Cyber Learning Centre Plus, with 19 programmes encompassing topics related to operational skills, communication, legal knowledge as well as integrity.

As a driving force for continuous development, the Department also holds annual

Promotion Qualifying Examinations for Inspectors and Customs Officers to sustain professionalism.

Regional Training Centre of the World Customs Organization (WCO)

As one of the WCO regional training centres in Asia Pacific, the CETS plays an active role in supporting the WCO's capacity building efforts. In June 2013, it hosted the Regional Workshop on Economic Competitiveness Package for Customs administrations. The Workshop aimed at promoting the exchange of strategic views among Customs member administrations with a view to enhancing their economic competitiveness at the regional level. A total of 33 officials from 25 Customs administrations from the region participated in the Workshop. In August 2013, the Regional Workshop on Computer Forensics was also held at the Customs Headquarters, which provided members with a platform for sharing knowledge and work experience on computer forensics. A total of 37 officials from 26 Customs administrations participated in the Workshop.



Regional Workshop on Economic Competitiveness Package.



WCO Asia Pacific Regional Workshop on Computer Forensics.

Mutual Training Assistance

Interaction among counterparts in the global customs community is a key to successful enforcement outcomes. In 2013, the Department sent 38 officers to receive training or undergo attachment to other Customs administrations and provided training to 30 visiting officials.

Occupational Safety and Health

Our Department is committed to providing a safe and healthy working environment for our staff and adopting a holistic framework on safety management system. In 2013, a number of tailor-made courses such as “Basic Risk Assessment”, “Competence in Manual Handling”, “Safety Inspection” as well as “Basic Occupational Health” were provided to our officers so as to equip them with the knowledge to identify and reduce potential risks at work and to run the safety management system of the Department.

Specialized training

Customs officers encounter different levels of resistance or violence in their daily execution of duty. To safeguard officers’ safety, a number of specialized trainings were provided to frontline officers to enhance their capability in responding to various threats and the proper use of force in ever-changing enforcement situations. Other specialized trainings on investigations were also organized to strengthen officers’ ability in analyzing intelligence and in planning in-depth investigations against organized crimes. Overseas trainings on tactical safety and crime scene

investigations were offered to officers to heighten their awareness of safety in raiding operations and the proper handling of evidences collected at crime scene.

The Department deploys specialized equipment such as X-ray machines and lonscans to help frontline officers to detect contrabands. A number of Train-the-trainer courses were organized to develop professional trainers to train up the frontline operators to use the specialized equipment professionally.



Raiding Technique Course.



Train-the-trainer course of Trace Contraband Detector.

Prosecution-related training

Fundamental legal knowledge such as court procedures for criminal proceedings, preparation of case bundles, handling of exhibits and evidence, etc. are essential for Customs officers in preparing a criminal case for prosecution. A number of prosecution-related training activities were thus organized for frontline officers in 2013, including talks on evidence collection in serious crime cases, tailor-made outreach programmes for different formations, lectures on prosecution and forfeiture procedures, and mock trials, etc. with a view to keeping our officers abreast of the latest legal knowledge and courts' requirements.

16. Financial Administration

Revenue

The Department collected HK\$10,323 million of revenue in 2012-13, representing an increase of 8.1% over that for 2011-12. The increase was mainly attributable to the additional revenue collection from cigarettes arising from the continual effect of the substantial increase in duty rates on tobacco and the increase in number of incoming Mainland tourists.

The Department collected HK\$10,771 million of revenue in 2013-14, representing an increase of 4.3% over that for 2012-13. The increase was mainly attributable to the additional revenue collection from cigarettes, which was partly offset by the reduction in revenue collection from trade declaration charges.

A summary of the revenue collected in 2012-13 and 2013-14 is at Appendix 8.

Expenditure

The total expenditure of the Department in 2012-13 amounted to HK\$2,769 million, of which 77.2% was on Personal Emoluments, 21.1% on Departmental Expenses and 1.7% on Capital Account Expenditure. The increase in expenditure of 8.6% over that for 2011-12 is mainly due to the impact of the 2012 civil service pay rise, the increase in operating expenses and the increase in cash flow requirements for capital account items.

The total expenditure of the Department in 2013-14 amounted to HK\$2,961 million, of which 76.0% was on Personal Emoluments, 22.8% on Departmental Expenses and 1.2% on Capital Account Expenditure. Similarly, the increase in expenditure of 6.9% over that for 2012-13 is mainly due to the impact of the 2013 civil service pay rise, the increase in operating expenses, partly offset by the decrease in cash flow requirements for capital account items.

A summary of the total expenditure in 2012-13 and 2013-14 is at Appendix 9.

The Department's actual expenditure by programme area is distributed as follows:

	2012-13	2013-14
	HK\$M	HK\$M
(a) Control and Enforcement	1,978	2,163
(b) Anti-narcotics Investigation	175	187
(c) Intellectual Property Rights and Consumer Protection	271	290
(d) Revenue Protection and Collection	181	170
(e) Trade Controls	164	151

Seizure Management

The provision of service for the storage and disposal of seized goods is one of the major tasks of the Department. The total average storage space available for accommodating seized goods and vehicles in government storehouses and private godowns were 72,881 sq.m. and 2,050 cu.m. respectively in 2013-14.

After forfeiture, the seized goods are disposed of by auction or destruction. The Department disposed of about 24,278 items of confiscated goods in 2013-14, which included cigarettes, optical discs, drugs, fuel oil, computer equipment, vessels and vehicles. The proceeds from the sale of these forfeited goods during the period amounted to about HK\$67.66 million.

17. Criminal Prosecution

While a large proportion of Customs resources are engaged in operations and investigations into illegal activities on various fronts, the Department takes criminal prosecution equally serious, as it aims to bring offenders to account. Essentially, successful prosecution can be seen as the finishing touch, which makes all painstaking efforts of frontline officers worth the while.

In 2013, the Department prosecuted 5 948 cases, of which 2 807 (47.2%) were related to the Import and Export Ordinance, 1 927 (32.4%) related to the Dutiable Commodities Ordinance, 378 (6.4%) related to the Dangerous Drugs Ordinance, 372 (6.3%) related to the Trade Descriptions Ordinance and 84 (1.4%) related to the Copyright Ordinance. A total of 5 813 persons and 327 companies were prosecuted, which resulted in total fines upon offenders of HK\$52.2 million and the imposition of immediate imprisonment in 841 cases.

Major Legislation Amendments

Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012

The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 came into effect on 19 July 2013. It extends the coverage of the Trade Descriptions Ordinance, Cap 362 (TDO) so as to prohibit specified unfair trade practices deployed by traders against consumers, including false trade descriptions of services, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment. It also introduces a civil compliance-based mechanism to encourage compliance by traders and to stop identified non-compliant practices, under which the law enforcement agencies may, as an alternative to criminal prosecution, accept an undertaking from a trader whom the enforcement agencies believe has engaged in a prohibited unfair trade practice to stop that practice.

Import and Export (General)(Amendment) Regulation 2013

With a view to combating the problems of parallel traders diverting large quantities of powdered formula away from supply chain in Hong Kong, the Import and Export (General)(Amendment) Regulation 2013 came into force on 1 March 2013. The Regulation aimed to prohibit the unlicensed export of powdered formula, including

milk powder and soya milk powder, for infants and children under 36 months. To allow a reasonable quantity for personal use, the prohibition does not apply to powdered formula not exceeding 1.8 kg in total net weight that is exported in the accompanied personal baggage of a person leaving Hong Kong. However, the person must be aged 16 or above and must not have left Hong Kong in the last 24 hours.

Prosecution Summary

The past year was an eventful one with the successful prosecution and conviction of 5 525 persons and 322 companies. Details of the prosecution related figures are set out in Appendices 14-16.

Civil Enforcement

Undertaking

On 2 December 2013, the Department accepted the first written undertaking by a local education institution in accordance with the newly amended TDO after obtaining the written consent of the Secretary for Justice. The written undertaking is valid for two years and has been uploaded to the Department's homepage. The Department had earlier received a complaint about a false claim on the website of a local education institution, claiming that its graduates of a Higher Diploma in Hospitality Management course would be eligible for direct entry to the final year of a degree programme in local universities. Investigation revealed that the claim made by the institution was false and misleading which was in contravention of the provisions regarding "false trade description" under the TDO. The education institution then signed a written undertaking in accordance with the TDO not to continue or repeat the above conduct; not to engage in conduct of that kind, or any conduct of a substantially similar kind, in the course of any trade or business; and also to ensure that its staff are provided with adequate training to better understand and comply with the fair trading provisions under the TDO.

Liaison with the Department of Justice and Judiciary

To further enhance the communication and foster a closer cooperation with the Department of Justice, representatives of the Department attended the Departmental Prosecutors' Meeting chaired by the Director of Public Prosecutions and paid courtesy calls to judges and liaison visits to the Prosecutors' Office in the Magistrates' Courts. Briefings and site visits were also arranged to inform the Magistrates of various Magistrates' Courts of the related law provisions and the Customs clearance procedures under the Road Cargo System at the land boundary control points. Besides, familiarization visit to the Customs Headquarters Building was also arranged for Government Counsels. During the visits, they were briefed the operations and challenges faced by the Department.

Chronicle

2013

January 2013

- Seized 1 kg of methamphetamine with a retail value of HK\$728,315 and arrested an incoming local passenger at Lo Wu Control Point.

Seizure of 1 kg of methamphetamine.



- Seized 2 kg of ketamine with a retail value of HK\$243,950 and arrested an incoming local passenger at Lo Wu Control Point.



2 kg of ketamine seized from an incoming local passenger at Lo Wu Control Point.

- Seized 1 323 kg of raw ivory tusk with a value of about \$10.6 million from a 20-foot container from Kenya, Africa at the Tsing Yi containerized cargo examination compound. The seizures were concealed inside several wooden crates declared to contain stones.

Ivory tusks concealed inside wooden crates of stone.



- Seized a total of 3.5 million sticks of illicit cigarettes with a retail value of HK\$8.8 million from cross-boundary lorries in three smuggling cases. The cigarettes were found mixed-loaded with general cargoes onboard the incoming vehicles with false declaration.

Cartons of illicit cigarettes were found mixed-loaded with general cargoes onboard the incoming vehicle.



- Seized 2.4 kg of methamphetamine with a retail value of HK\$2.1 million from the suitcase of a passenger arriving from South Africa in transit to Thailand at the Airport.
- Seized 2 kg of ketamine with a retail value of HK\$0.24 million from an incoming passenger at Lo Wu Control Point.
- Seized 6.5 kg of cocaine with a retail value of HK\$8.2 million from the baggage of a passenger arriving from Bolivia at the Airport.

5 slabs of cocaine concealed inside the briefcase and suitcase.



- Seized 6.3 kg of heroin with a retail value of HK\$6.3 million from 6 passengers arriving from Tanzania and Kenya at the Airport by way of internal concealment during the month.
- Established the Syndicate Crimes Investigation Bureau to combine Customs expertise in both criminal and financial investigations for tackling syndicate crimes.

A group photo of the directorate and the senior officers of the Syndicate Crimes Investigation Bureau.



- Seized 2.1 kg of ketamine with a retail value of HK\$0.2 million in a consignment from India at the Airport. The drugs were concealed inside the cardboard of the carton box.

Drugs concealed inside the cardboard of carton box.



- Seized 1.1 kg of heroin with a retail value of HK\$0.8 million from a passenger arriving from Tanzania at the Airport. The drugs were smuggled by means of body packing and internal concealment.
- Seized 7 kg of cocaine with a retail value of HK\$8.0 million from the baggage of a passenger arriving from Bolivia at the Airport.

Cocaine concealed inside false compartments of hand-carried baggage.



February 2013

- Cathay Pacific Cargo Terminal commenced its operation on 21 February 2013.

Cathay Pacific Cargo Terminal.



- Seized 2 kg of methamphetamine with a retail value of HK\$1,450,848 and arrested two incoming local passengers at Lo Wu Control Point.



2 kg of methamphetamine seized from two incoming local passenger at Lo Wu Control Point.

- Seized 2.9 million sticks of illicit cigarettes with a retail value of HK\$7.3 million when the cigarettes were transferring from a cross-boundary vehicle to local vans in Yuen Long.



Cartons of illicit cigarettes were found unloading from cross-boundary vehicle.

- Seized 12.9 kg of cocaine with a retail value of HK\$18.9 million from the baggage of 4 passengers arriving from Argentina, Brazil, Colombia and Paraguay at the Airport.
- Seized 2 kg of ketamine and 0.5 kg of cocaine with a retail value of HK\$0.76 million from an incoming private car with 3 persons arrested at Lok Ma Chau Control Point.
- Seized 2 kg of methamphetamine with a retail value of HK\$1.5 million from an incoming passenger at Lo Wu Control Point.
- Seized 3.6 kg of cocaine concealed inside the metal tubes with a retail value of HK\$3.8 million from a postal parcel from Brazil at the Airport.

Cocaine concealed inside metal tubes.



- Seized 6.6 kg of cocaine with a retail value of HK\$7.7 million from the baggage of a passenger arriving from Argentina at the Airport.

Cocaine soaked inside jackets and mats.



- Seized 8.2 kg of cocaine with a retail value of HK\$8.5 million from the baggage of two passengers arriving from Dubai at the Airport.



Cocaine concealed inside false compartments of the separating layers of the computer briefcases.

March 2013

- Effectuated 3 powdered formula cases at syndicated level and seized 43 250 kg of powdered formula with a retail value of HK\$12.2 million at Tuen Mun and Kwai Chung Container Terminal and arrested 1 person.
- Seized 2.1 million sticks of illicit cigarettes with a retail value of HK\$5.3 million when the illicit cigarettes were being loading onto vans in Hung Hom.
- Seized 12 kg of methamphetamine with a retail value of HK\$8.6 million from the baggage of 2 passengers departing for Korea at the Airport.
- Seized 7.1 kg of cocaine with a retail value of HK\$7.9 million from the suitcases of 2 passengers from Colombia and Bolivia at the Airport.
- Seized 6.3 kg of cannabis with a retail value of HK\$0.7 million from an express transit parcel from Sudan to the Mainland at the Airport.
- Seized 2.9 kg of methamphetamine with a retail value of HK\$2.2 million from an incoming lorry with 2 persons arrested at Lok Ma Chau Control Point.
- Smashed a drug storage and seized 9.8 kg of cocaine with a retail value of HK\$10.4 million with 2 persons arrested at Yau Ma Tei.

- Seized 3 kg of ketamine, 21 grams of crack cocaine and 1 gram of methamphetamine with retail value of HK\$0.4 million with 2 arrests in Cheung Sha Wan and Fanling.
- Seized 3 kg of ketamine with a retail value of HK\$0.4 million with 1 person arrested in Mong Kok.
- Seized 8.9 kg of heroin with a retail value of HK\$9.4 million from 10 passengers from Tanzania and Kenya at the Airport by way of internal concealment.
- Effected 3 syndicate level cases of attempting to export 43,250 kg of powdered formula, worth HK\$12.2 million, without licence.
- Seized 6 kg of cocaine with a retail value of HK\$6.3 million from the baggage of a passenger arriving from Colombia at the Airport.



Cocaine concealed inside the interlining of jackets in the checked-in baggage.

- Seized 4 kg of cocaine with a retail value of HK\$4.1 million from the baggage of a passenger arriving from Bolivia at the Airport.



Slabs of cocaine concealed inside the front cover and separating layers of the hand-carried briefcase.

- Seized 1.1 kg of cocaine soaked in the innermost layer of a blanket with a retail value of HK\$1.2 million from a postal parcel from Argentina at the Airport.

Cocaine soaked in the innermost layer of a blanket.



April 2013

- Seized 311 cartons of unmanifested assorted goods including electronic cigarette kits and accessories, vehicle parts, health products, clothing etc. from an inbound goods vehicle at Shenzhen Bay Control Point. The total seizure value was HK\$11 million.
- Seized a total of 8 494 tablets of counterfeit medicines valued at HK\$840,000 from an incoming container truck at Sha Tau Kok Control Point and inside a private car during the follow-up operation. 2 persons were arrested.

Seizures of counterfeit medicines in a series of enforcement actions.



- Seized a total of 2.4 million sticks of illicit cigarettes with a retail value of HK\$6 million from cross-boundary lorries in three smuggling cases. The cigarettes were found mixed-loaded with general cargoes onboard the incoming vehicles with false declaration.
- Seized 5.2 kg of cocaine with a retail value of HK\$8.7 million soaked in the linings of 2 quilts and 2 jackets inside the suitcase of a passenger arriving from Argentina at the Airport.

5.2 kg of cocaine soaked in the linings of 2 quilts and 2 jackets.



- Seized 3.3 kg of heroin with a retail value of HK\$2.8 million from 4 passengers from Tanzania at the Airport by way of internal concealment during the month.

- Seized 8.4 kg of cocaine with a retail value of HK\$8.7 million from the baggage of a passenger arriving from Brazil at the Airport.



Cocaine sandwiched between blanket and jackets in the baggage.

- Seized 3.3 kg of heroin with a retail value of HK\$2.8 million from four incoming passengers at the Airport. The drugs were smuggled by means of internal concealment.



Pellets of heroin swallowed by the offender.

- Seized 1 kg of cocaine with a retail value of HK\$1.0 million concealed inside buttons in a postal parcel from Argentina at the Airport.



Cocaine concealed inside buttons.

May 2013

- The Annual Review Meeting with the General Administration of China Customs in Hong Kong between 13 and 15 May 2013.

- Seized 1 kg of methamphetamine with a retail value of HK\$810,900 and arrested an incoming local passenger at Lok Ma Chau Spur Line Control Point.



Seizure of 1 kg of methamphetamine.

- Smashed a local Internet website for selling counterfeit products to overseas buyers. Seized 181 boxes of counterfeit toys valued at HK\$20,000. 2 persons were arrested.



Seizures of counterfeit toys, computers and postal packets in the operation.

- Seized 5.9 kg of methamphetamine with a retail value of HK\$4.8 million from the baggage of 2 passengers departing for New Zealand at the Airport.
- Seized 7 kg of heroin and 1 kg of cocaine with a retail value of HK\$7.9 million from 8 passengers from Tanzania, Kenya and Argentina at the Airport by way of internal concealment.
- Seized a batch of high valued electronic goods, including tablet computers, hard disks, cameras and LCD displays, worth HK\$75 million, from 3 containers onboard a River Trade Vessel departing for the Mainland.
- Seized 66,756 sets of electronic cigarettes with a seizure value of HK\$6.71 million from 2 air consignments bound for the USA.
- Seized 6.9 kg of heroin and 1.2 kg of cocaine with a retail value of HK\$6.9 million from seven incoming passengers at the Airport. The drugs were smuggled by means of internal concealment.

- Seized 1.2 kg of cocaine with a retail value of HK\$1.2 million from the baggage of a passenger arriving from Brazil at the Airport.



Cocaine soaked in the jacket of the checked-in baggage.

June 2013

- Signed a Memorandum of Understanding regarding Co-operation and Mutual Administrative Assistance in Customs Matters with the Federal Administration of Public Revenue – General Customs Directorate – of the Argentine Republic.
- Signed a Co-operative Arrangement regarding Co-operation and Mutual Administrative Assistance in Customs Matters with the General Department of Vietnam Customs of the Socialist Republic of Vietnam.
- The 69th Session of WCO Policy Commission and 121st/122nd Sessions of the Customs Co-operation Council in Brussels, Belgium between 24 and 29 June 2013.
- Received two accession letters from the GACC and the TAXUD on 27 June 2013 which signified Hong Kong's participation in the SSTL Pilot Project.
- The inaugural berthing of "Mariner of the Seas" at the Kai Tak Cruise Terminal took place on 12-13 June 2013.



"Mariner of the Seas" at Kai Tak Cruise Terminal.

- Seized a large batch of high-valued electronic goods including tablet computers, digital cameras, mobile phones and accessories valued at HK\$6.4 million in an operation against coastal smuggling by speedboat in Tuen Mun.

Large batch of high-valued electronic goods seized at landing steps in Tuen Mun.



- Cracked 37 cases involving the sale of counterfeit goods on Internet auction sites and other Internet platforms from May to middle of June. During the operation, 2 282 counterfeit items, including sport shoes, handbags, wallets, jewellery, sunglasses, clothing, shoes and socks valued at HK\$560,000 were seized. 40 persons were arrested.

Seizures of counterfeit goods in the operation.



- Seized a total of 10.2 million sticks of illicit cigarettes with a retail value of HK\$25.5 million from cross-boundary lorries in six smuggling cases. The cigarettes were found mixed-loaded with general cargoes onboard the incoming vehicles with false declaration.
- Seized 15.2 kg of cannabis resin with a retail value of HK\$1.4 million concealed inside the wooden rod of 58 embroidery paintings from an air consignment from India and arrested 4 persons at the Airport and during follow-up investigation in Yau Ma Tei.

Cannabis resin concealed inside the wooden rods of embroidery paintings.



- Seized 3.4 kg of heroin with a retail value of HK\$3.1 million concealed inside the false compartments of dresses, books, handbags, boxes and metal pot of a passenger from Vietnam at the Airport.

- Seized 3.9 kg of methamphetamine with a retail value of HK\$ 3.3 million from the baggage of 2 passengers departing for Australia at the Airport. Immediate intelligence exchange with Australian authorities resulted in further seizure of 3.9 kg of methamphetamine with 2 persons arrested in Australia.
- Seized 6.5 kg of heroin and 0.8 kg of cannabis resin with a retail value of HK\$6.4 million from 9 passengers from Tanzania and India at the Airport by way of internal concealment during the month.
- Seized a batch of unmanifested electronic products including game consoles, computer hard disks, display panels, vehicle parts, laser heads, integrated circuits and electronic waste products, worth HK\$20.8 million at Kwai Chung Container Terminal from 4 containers bound for the Mainland.



Vehicle parts seized in the operation.

- Seized 3.8 kg of heroin with a retail value of HK\$3.0 million from the baggage of a passenger arriving from Vietnam at the Airport.



Heroin concealed in books, utensils and handbags, etc.

- Seized 7.6 kg of heroin with a retail value of HK\$6.2 million from seven incoming passengers at the Airport. The drugs were smuggled by means of internal concealment.
- Seized 2.8 kg of methamphetamine camouflaged as American ginseng capsules with a retail value of HK\$1.5 million from two postal parcels destined for Australia at the Airport.



Methamphetamine camouflaged as American ginseng capsules.

- Seized 4 litres of liquid cocaine with a retail value of HK\$3.8 million in a transshipment consignment from USA to the Philippines via Hong Kong at the Airport.

Liquid cocaine.



- Seized 18.5 kg of cannabis resin in a consignment from India at the Airport and a local residential flat during follow-up investigation. The drugs, valued at HK\$1.6 million, were concealed inside the wooden rods of 138 embroidery paintings.

Drugs concealed inside the wooden rods of embroidery paintings.



July 2013

- The 31st Annual Meeting with Macao Customs Service / Macao Economic Services in Macao on 15 July 2013.
- Seized 2 183.2 kg of ivory tusk with a value of about \$9.6 million from a 20-foot container from Togo, Africa at the Kwai Chung containerized cargo examination compound. The seizures were concealed underneath layers of manifested wood plank.



Ivory tusks concealed underneath wood planks.

- Seized a total of 9.2 million sticks of illicit cigarettes with a retail value of HK\$25.5 million from cross-boundary lorries in six smuggling cases. The cigarettes were found mixed-loaded with general cargoes onboard the incoming vehicles or concealed in false compartment with false declaration.
- Seized 14 kg of methamphetamine with a retail value of HK\$ 11 million concealed inside the false compartments of 3 suitcases of 2 passengers departing for the Philippines at the Airport.
- Seized 3 kg of ketamine with a retail value of HK\$0.4 million and arrested 1 person in Fanling.
- Seized 3 kg of cocaine and 0.2 kg of crack cocaine with a retail value of HK\$3.3 million and arrested 1 person in Tai Kok Tsui.
- Seized 143,061 pieces of unmanifested electronic goods, worth HK\$5 million, from an outgoing cross boundary coach at Sha Tau Kok Control Point and two repackaging centers in Sha Tin. 5 syndicate members were arrested for conspiracy to export unmanifested cargoes.



Electronic products concealed inside an empty compartment of an outgoing cross boundary coach.

- Seized 11 outgoing containers containing a batch of unmanifested cargoes including hard disks, ceramic, electronic goods, machines, health food, nutritional supplements, powdered formulas, fur, mink and red sandal wood from a vessel departing for the Mainland, worth HK\$55 million.
- Seized 1.2 kg of cocaine with a retail value of HK\$1.2 million from the baggage of a passenger arriving from Brazil at the Airport.



Cocaine concealed inside 5 jackets.

- Seized 1.6 kg of heroin with a retail value of HK\$1.3 million from the baggage of a passenger arriving from Tanzania at the Airport.



Heroin concealed inside the false compartments of a leather briefcase.

- Seized 1 kg of methamphetamine inside a metal pot with a retail value of HK\$ 0.8 million from a postal parcel destined for Australia at the Airport.



Methamphetamine concealed inside a metal pot.

August 2013

- Seized 1.3 kg of cocaine, 17 grams of cannabis seeds, 220 tablets of MDMA with a retail value of HK\$1.27 million and arrested 2 persons from an outbound private car at Shenzhen Bay Control Point.



Cocaine was concealed in a main console of Hi-Fi audio system.

- Seized a batch of high-valued electronic goods including tablet and notebook computers, Random Access Memory (RAM) sticks, mobile phones, digital cameras and accessories valued at HK\$4.59 million in a joint operation orchestrated with Marine Police against sea smuggling by speedboat in Sha Tau Kok.

Assorted high-valued electronic goods seized in operation.



- Seized 2 229.7 kg of polished ivory tusk, 5 numbers of leopard skin and 37.22 kg of rhino horn with a value of about \$41 million from two 20-foot containers from Nigeria, Africa at the Kwai Chung containerized cargo examination compound. The seizures were concealed inside wooden crates that closely resembled the manifested wood logs.



Ivory tusks, leopard skins and rhino horns concealed inside wooden crates.

- Smashed a syndicate making use of an overseas website to sell counterfeit mobile phone casings and covers. Seized 7 500 pieces of mobile phone casings, covers, and a batch of computers, printers and photo-taking equipment valued at HK\$650,000 from the syndicate's office cum storage place located in Tuen Mun. 5 persons were arrested and one of them was the syndicate head.

Seizures of mobile phone casings at the syndicate's office cum storage place.



- Seized 1.3 million sticks of illicit cigarettes with a retail value of HK\$3.3 million in an industrial building. The cigarettes were found concealed in fake water heaters.

Press conference was conducted for debriefing on the special operation against illicit cigarette activities. The concealment of illicit cigarettes in fake water heaters was found to be a new modus operandi.



- Seized 46.8 kg and 10.3 kg of cocaine with a retail value of HK\$57 million inside the suitcases of 2 passengers arriving from Brazil at the Airport respectively.
- Seized 2.2 kg of cocaine and 2.2 kg of crack cocaine with a retail value of HK\$5.1 million and arrested 1 person in Tai Kok Tsui.
- Seized 2.5 kg of cannabis with a retail value of HK\$0.5 million and arrested 1 person in Tin Shui Wai.
- Intelligence exchange with New Zealand Customs resulted in the seizure of 4.2 kg of methamphetamine with 2 arrests in New Zealand.
- Seized 12 kg of cocaine with a retail value of HK\$11.6 million from the baggage of a passenger arriving from Brazil via Beijing at the Airport.

Cocaine concealed inside the false compartments of backpacks.



- Seized 48 kg of cocaine with a retail value of HK\$46.5 million from the baggage of a passenger arriving from Brazil via Beijing at the Airport.



48 slabs of cocaine found inside the checked-in baggage.

- Seized one zebra skin and two goat horns with a market value of HK\$2,000 from the baggage of a passenger arriving from South Africa at the Airport.



Zebra skin and goat horns found inside the checked-in baggage.

- Seized 3.3 kg of methamphetamine with a retail value of HK\$3.3 million from five postal parcels destined for Australia at the Airport. Camouflaged as Chinese medicine capsules, the seizures were concealed inside a kettle and some handbags.



Methamphetamine concealed inside a kettle.



Methamphetamine concealed inside some handbags.

- Seized 2.3 kg of heroin with a retail value of HK\$1.9 million in three consignments from Tanzania to China via Hong Kong at the Airport. The drugs were concealed inside metal machine parts.

Drugs concealed inside metal machine parts.



- Seized 2 kg of cocaine with a retail value of HK\$1.9 million in a consignment from Uruguay to China via Hong Kong at the Airport. The drugs were dissolved in silicon rubbers and concealed inside a wall map, handbags and cushions.

Drugs dissolved in silicon rubbers and concealed inside a wall map.



September 2013

- The Annual Review Meeting with the Guangdong Sub-Administration of China Customs in Hong Kong on 10 September 2013.
- Seized over 4 000 boxes of box set mobile phone and other assorted goods from an inbound express cargoes vehicle at Shenzhen Bay Control Point. The total seizure value was HK\$5 million.



Seizure of over 4,000 boxes of box set mobile phone and other assorted goods.

- Seized 1 kg of ketamine with a retail value of HK\$123,369 and arrested an incoming local passenger at Lo Wu Control Point.



Seizure of 1 kg of ketamine.

- Seized 545.8 kg of ivory tusk with a value of about \$5.4 million from two 20-foot containers from Cote d'Ivoire, Africa at the Kwai Chung containerized cargo examination compound. The seizures were concealed underneath the manifested soya products.



Ivory tusks concealed underneath bags of manifested soya products.

- Seized a total of 2.1 million sticks of illicit cigarettes with a retail value of HK\$5.3 million from cross-boundary lorries in two smuggling cases. The cigarettes were found mixed-loaded with general cargoes onboard the incoming vehicles with false declaration.
- Seized 2.4 kg of methamphetamine with a retail value of HK\$1.7 million packed on the bodies of 3 passengers departing for New Zealand at the Airport.
- Seized 3.4 kg of ketamine and 0.5 kg of ecstasy with a retail value of HK\$0.5 million from an express parcel from the Mainland to Venezuela in Tsuen Wan.
- Joint operation with Indonesian Customs resulted in the seizure of 3 kg of ketamine concealed inside a machine part in an express parcel in Jakarta.
- Seized 28,870 kg of unmanifested red sandal wood from 2 sea containers imported from United Arab Emirates with a seizure value of HK\$11.6 million.



Seizure of red sandal wood.

- Seized 3.1 kg of cocaine with a retail value of HK\$3 million from the baggage of two passengers arriving from Dubai at the Airport.



Cocaine concealed inside the trolley handles and wheels of four checked-in baggage.

- Seized 1.7 kg of cocaine with a retail value of HK\$1.6 million from the baggage of a passenger arriving from Qatar at the Airport.



Cocaine concealed inside a metal wheel and metal rods inside the checked-in baggage.

- Seized 1 kg of methamphetamine hydrochloride camouflaged as tea bags with a retail value of HK\$0.8 million from a postal parcel from Brazil at the Airport.

Methamphetamine hydrochloride camouflaged as tea bags.



October 2013

- Signed a Memorandum of Understanding regarding Co-operation and Mutual Administrative Assistance in Customs Matters with the Federal Customs Service of the Russian Federation.
- Seized 1.6 kg of ketamine with a retail value of HK\$196,664 and arrested an incoming local passenger at Lo Wu Control Point.

Seizure of 1.6 kg of ketamine.



- Signed the Authorized Economic Operator Mutual Recognition Arrangement with the General Administration of China Customs on 29 October 2013.
- Seized assorted smuggled goods valued at HK\$3.6 million, including 320 kg of pangolin scales (endangered species), a large batch of handheld game consoles and mobiles phones, 5.89 grams of methamphetamine, etc. onboard a fishing vessel in the waters off Sha Chau. Two persons were arrested.



Boxes of smuggled goods concealed in the crew cabin of the fishing vessel.



Inhalation apparatus used for taking methamphetamine.

- Seized a large batch of edible bird' nest and high-valued electronic products including tablet and notebook computers, digital video recorders, digital cameras, mobile phones and accessories valued at HK\$ 3.52 million in a joint operation orchestrated with Marine Police against coastal smuggling by speedboat in Sai Kung.



Smuggled edible bird's nest.

- Seized 222.84 kg of ivory tusk with a value of about \$2.2 million from a 20-foot container from Cote d'Ivoire, Africa at the Kwai Chung containerized cargo examination compound. The seizures were concealed underneath the manifested soya products.



The seized ivory were concealed underneath the manifested soya products.

- Seized a total of 3.8 million sticks of illicit cigarettes with a retail value of HK\$9.5 million from cross-boundary lorries in two smuggling cases. Some cigarettes were found concealed in large wooden boxes with false declaration.
- Seized 9.1 kg of cannabis resin with a retail value of HK\$0.7 million concealed inside the carton boxes of 3 air parcels from India at the Airport and Sheung Wan during follow-up investigation.
- Seized 17 kg of cocaine with a retail value of HK\$16.6 million inside a suitcase and arrested 2 passengers arriving from Brazil at the Airport.
- Seized 226 boxes of skeletal with suspected false origin marking worth about \$59,000 from a retailer.



226 boxes of false origin Skeleto tonic were seized from a retailer.

- Seized 338 freshwater turtles with a market value of HK\$1 million from the baggage of a passenger arriving from Thailand at the Airport.

One of the turtles uncovered from the checked-in baggage.



- Seized 1.9 kg of heroin with a retail value of HK\$1.6 million from the baggage of a passenger arriving from Malaysia at the Airport.

Heroin concealed in children's backpacks.



- Seized 17 kg of cocaine with a retail value of HK\$16.6 million from the baggage of a passenger arriving from Brazil via Singapore at the Airport.



17 slabs of cocaine found inside two checked-in baggage.

- Seized 3.4 kg of methamphetamine with a retail value of HK\$2.7 million from six postal parcels destined for Australia at the Airport. The seizures were concealed in a carton box, a handbag and shoes.



Methamphetamine concealed inside some handbags.



Methamphetamine concealed in the soles of sandals.

November 2013

- Seized 227.64 kg of ivory tusk and 25.96 kg of worked ivory with a value of about \$3.8 million from a 20-foot container from Cote d'Ivoire, Africa at the Kwai Chung containerized cargo examination compound. The seizures were concealed underneath the manifested soya products.



Seized ivory concealed underneath bags of manifested soya products.

- Raided an office and a warehouse of a trading company in Kowloon Bay and seized about 9 800 items of counterfeit goods including handbags, wallets, glasses and mobile phone cases valued at HK\$1.4 million. The goods were intended for smuggling to Paraguay by express delivery. 3 persons were arrested.

Seizures of counterfeit goods including handbags, wallets, glasses and mobile phone cases.



- Seized 0.7 million sticks of illicit cigarettes with a retail value of HK\$1.8 million in an industrial building. The cigarettes were found concealing in fake water heaters.



Illicit cigarette were concealed in fake water heaters while smuggling into Hong Kong.

- Seized 2.1 kg of cannabis, 0.2 kg of ketamine, 2 grams of methamphetamine and 13,000 tablets of nimetazepam with a retail value of HK\$1 million and arrested 1 man in Kwun Tong.
- Joint operation with Royal Canadian Mounted Police resulted in the seizure of 2 kg of ketamine concealed inside an amplifier in an air parcel in Canada.
- Seized 54 kg of cold medicines containing high percentage of pseudoephedrine camouflaged as Chinese tea leaves that could produce 15 kg of methamphetamine with a retail value of HK\$9.6 million from a passenger arriving from Egypt and arrested 3 other persons in Sheung Shui.



Cold medicines containing high percentage of pseudoephedrine camouflaged as Chinese tea leaves.

- Signed the Authorized Economic Operator Mutual Recognition Arrangement with the Central Board of Excise and Customs of the Government of India on 28 November 2013.
- Seized 2.9 kg of methamphetamine with a retail value of HK\$1.9 million from four postal parcels destined for Indonesia at the Airport. The seizures were concealed inside a water filter, a foot massage machine, a radiator and a high-heeled shoe.

Methamphetamine concealed in a foot massage machine.



- Seized 1 049 kg of frozen pangolin carcass with a retail value of HK\$0.2 million from a consignment from Indonesia declared as “Fresh Fish” at the Airport.

1 049 kg of frozen pangolin carcass seized from an import cargo consignment.



- Rolled out the Smart and Secure Trade Lanes Pilot Project with the trade lanes of Hong Kong-Rotterdam and Hong Kong-Felixstowe established.

December 2013

- The 70th Session of WCO Policy Commission in Dublin, Ireland between 9 and 11 December 2013.
- Seized 1.2 kg of methamphetamine with a retail value of HK\$954,000 and arrested 3 persons from an inbound private car at Shenzhen Bay Control Point.



Methamphetamine was concealed in property catalogues.

- Customs Detector Dog cracked the largest cannabis resin case of the Division in December 2013 in which 6.8 kg of cannabis resin valued at HK\$0.66 million were seized at Hong Kong International Airport.

6.8 kg of cannabis resin were seized.



- Launched the "Mainland - Hong Kong Detector Dog Breeding Cooperation Pilot Programme".
- Seized 1 kg of heroin with a retail value of HK\$924,874 and arrested an incoming local passenger at Lo Wu Control Point.

Seizure of 1 kg of heroin.



- Seized 49 sets of karaoke systems loaded with infringing songs and movies at a technology company at Sham Shui Po and five other pubs at different locations in Kowloon. The five pubs were believed to be the clients of the technology company and the karaoke systems could only be activated with a USB hardware and password supplied by the technology company to prevent any further duplication by its clients. The total seizure value is about \$600,000. 9 persons were arrested.



Replicating of suspected infringing songs or films.



Workshop for making illegal karaoke systems.

- Conducted a series of operations targeting at commercial organisations using pirated computer software in the course of business. During the operations, officers seized 85 computers with a total seizure value of about \$360,000. 10 persons were arrested.

Seizures of computers installed with pirated software.



- Seized 1 million sticks of illicit cigarettes with a retail value of HK\$2.5 million from cross-boundary lorries in a smuggling case. The cigarettes were found concealed in a false compartment onboard the incoming vehicle with false declaration.
- Seized 6.8 kg of cannabis resin with a retail value of HK\$ 0.7 million concealed inside a suitcase and arrested 2 persons from India at the Airport.
- Seized 4 kg of methamphetamine with a retail value of HK\$2.7 million from the false compartments of the suitcases of 2 passengers departing for Australia at the Airport.
- Seized 11 kg of methylone with a retail value of HK\$5.5 million from 7 postal parcels and arrested 1 person at Man Kam To Control Points.
- Seized 3.1 kg of ketamine, 272 tablets of ecstasy and 94,500 tablets of nimetazepam with a retail value of HK\$ 5.2 million in Tsing Yi and Tuen Mun with 1 person arrested.
- Seized 4.3 kg of ketamine with a retail value of HK\$0.6 million and arrested 1 person in Sham Shui Po.
- Seized 3.0 kg of “Bath Salts” concealed in an electric water heater with a retail value of HK\$0.6 million from a consignment transshipped from China to Spain via Hong Kong at the Airport.

“Bath salts” concealed inside an electric water heater.



- Seized 1.5 kg of cocaine with a retail value of HK\$1.6 million from the baggage of a passenger arriving from Brazil at the Airport.

Cocaine concealed inside the metal handles and plastic wheels of two checked-in baggage.



- Seized 160 kg of ivory tusks and worked ivory with a market value of HK\$2 million from the baggage of seven passengers arriving from United Arab Emirates and South Africa at the Airport.

160 kg of ivory tusks and worked ivory recovered from 7 passengers.



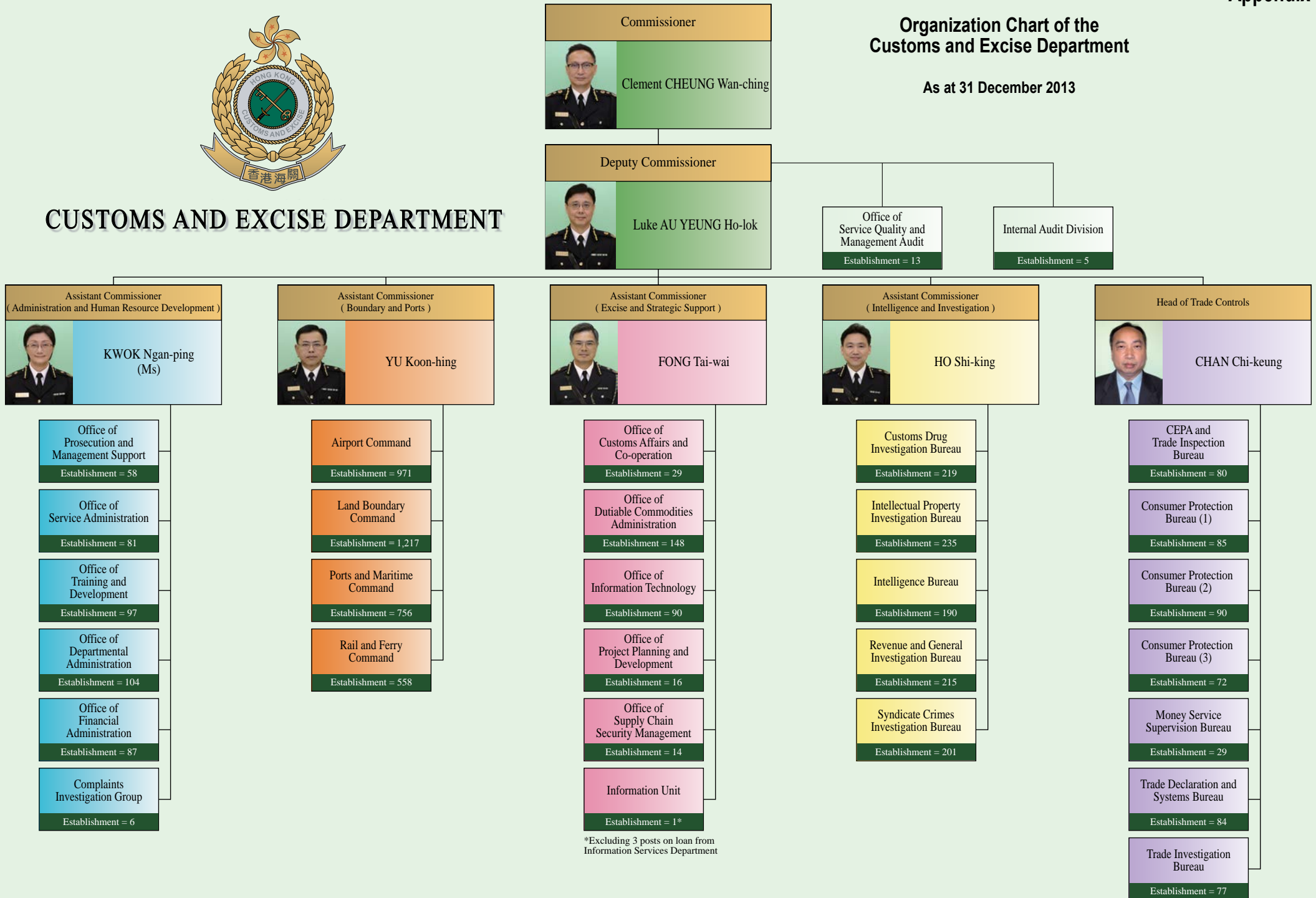
Appendices



CUSTOMS AND EXCISE DEPARTMENT

Organization Chart of the Customs and Excise Department

As at 31 December 2013



*Excluding 3 posts on loan from Information Services Department

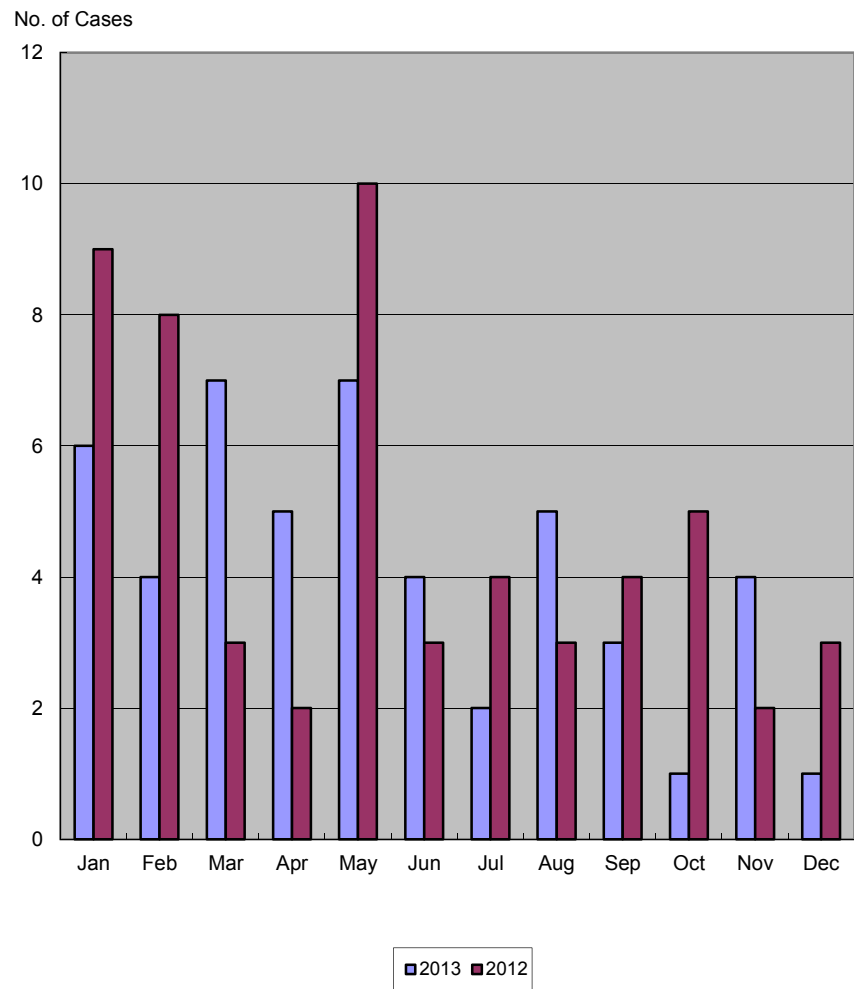
Remarks : Excluding 4 posts on secondment to Security Bureau and Commerce and Economic Development Bureau

Establishment and Strength Position

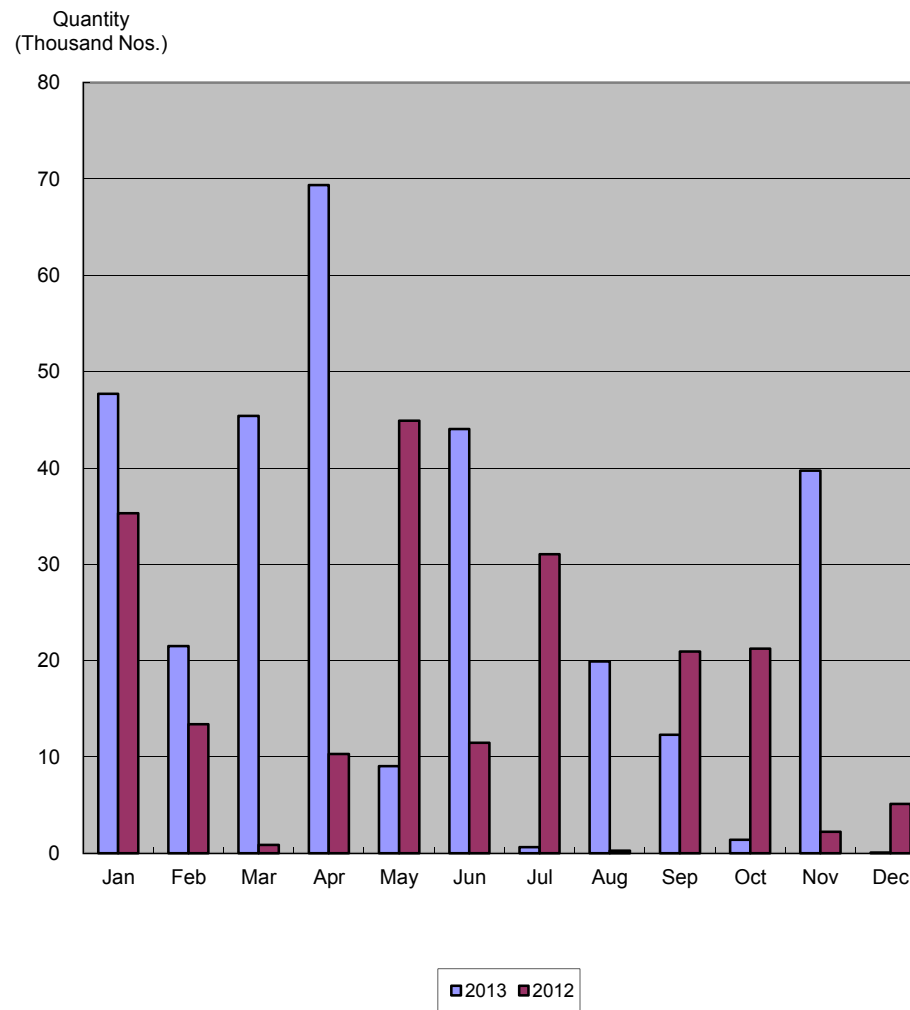
Category/Grade	2012		2013	
	(as at 31 December 2012)		(as at 31 December 2013)	
	Establishment (No.)	Strength (No.)	Establishment (No.)	Strength (No.)
Directorate Posts	9	9	9	8
Sub-total	9	9	9	8
Departmental Grades				
Superintendent/Inspector of Customs and Excise Grades	858	852	911	923
Customs Officer Grade	3,670	3,668	3,801	3,736
Trade Controls Officer Grade	458	453	473	464
Sub-total	4,986	4,973	5,185	5,123
General and Common Grades				
Executive Officer/Training Officer Grades	28	28	28	27
Treasury Accountant/Accounting Officer Grades	13	12	13	13
Official Languages Officer/Calligraphist Grades	19	19	19	19
Statistician/Statistical Officer Grades	5	5	5	6
Secretarial Grades	50	49	46	44
Clerical Grades	272	262	276	273
Supplies Grades	55	56	55	58
Others	206	188	203	181
Sub-total	648	619	645	621
Total	5,643	5,601	5,839	5,752

Statistics on Infringing Optical Disc Cases

No. of Infringing Optical Disc Cases (2013 vs 2012)

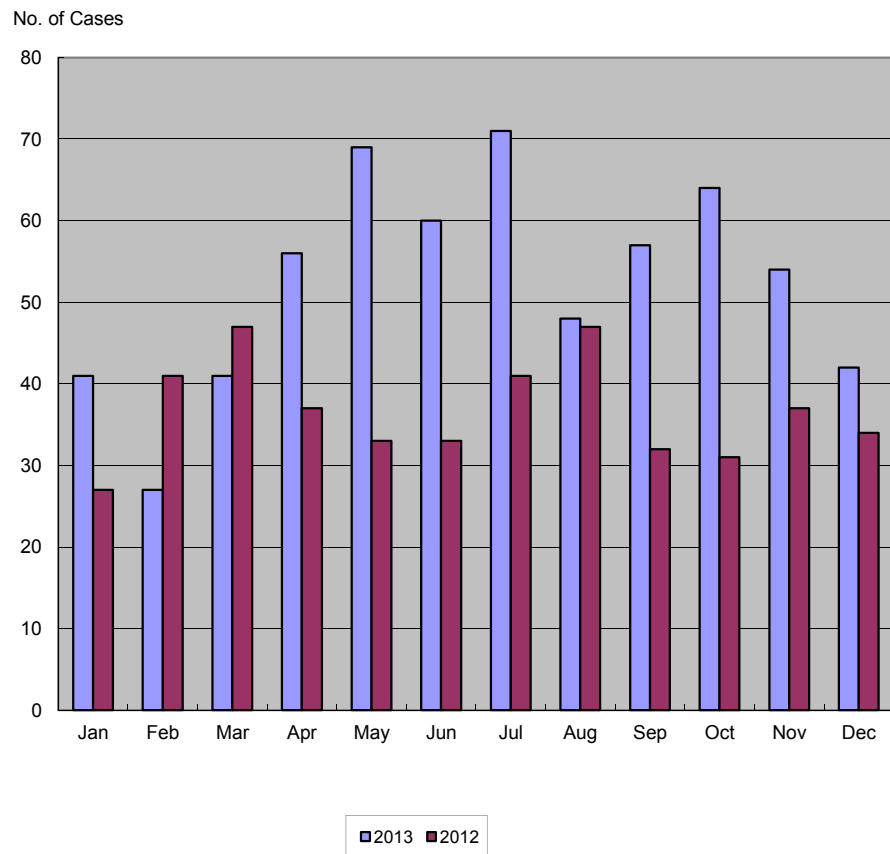


Quantity of Infringing Optical Disc Seized (2013 vs 2012)

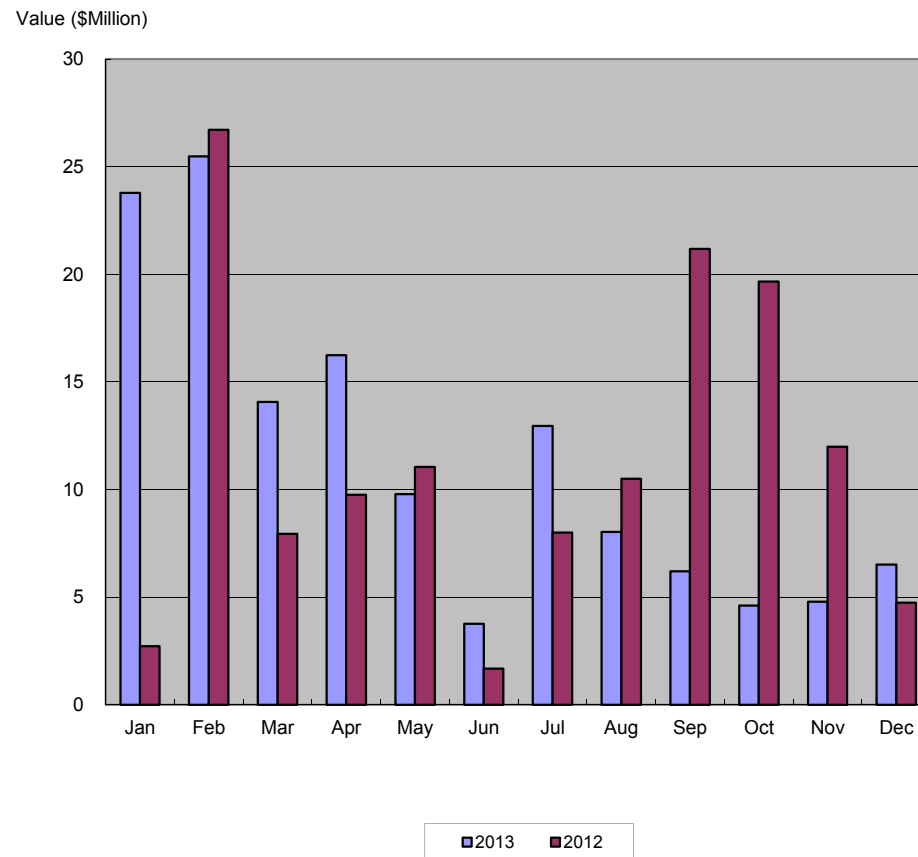


Statistics on Forged Trade Mark Cases

No. of Forged Trade Mark Cases (2013 vs 2012)

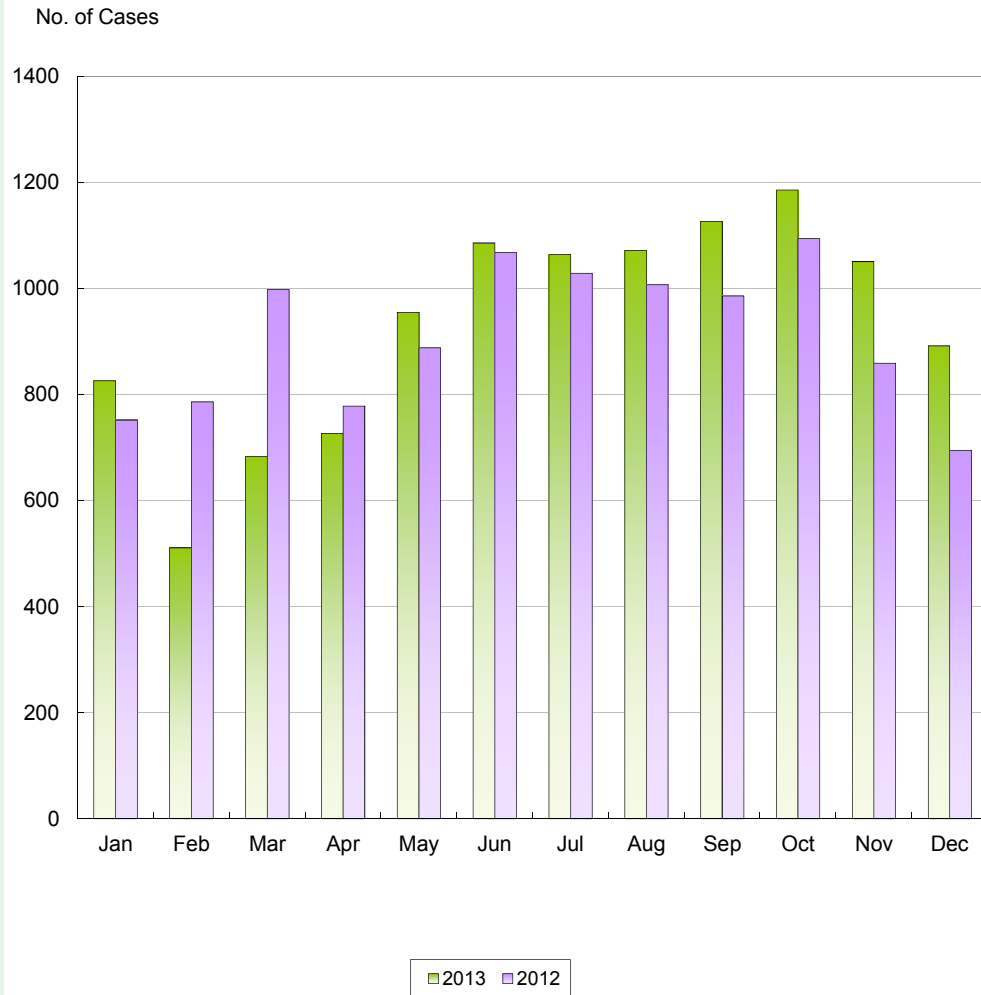


Value of Forged Trade Mark Goods Seized (2013 vs 2012)

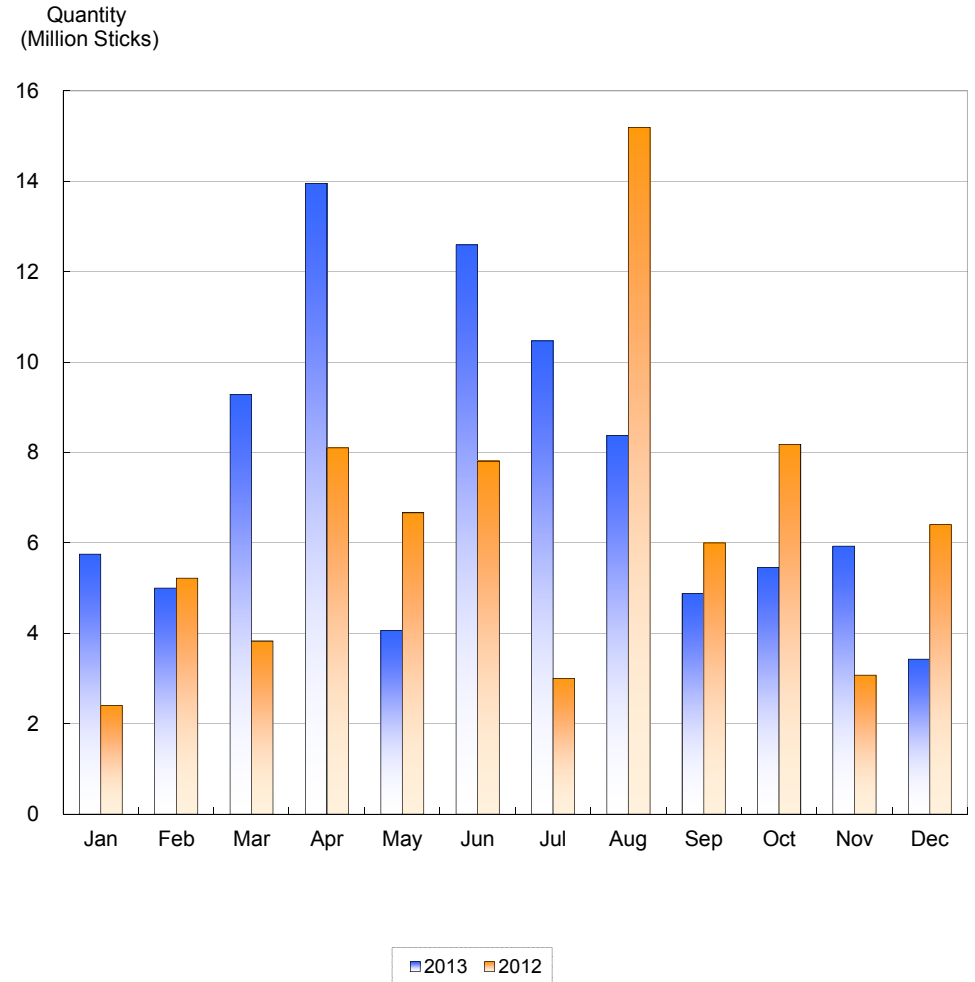


Result of Anti-cigarette Smuggling Operations

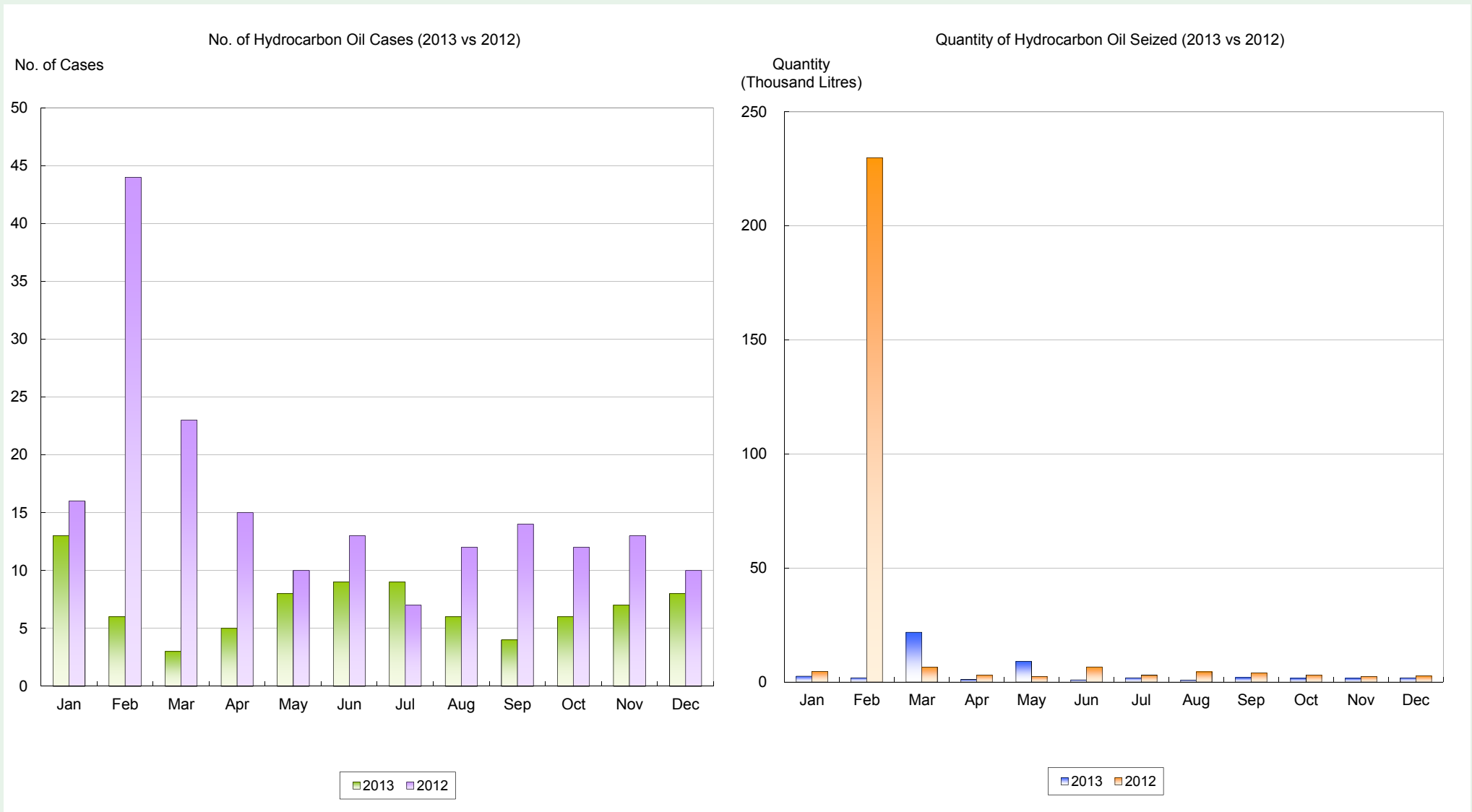
No. of Cigarette Smuggling Cases (2013 vs 2012)



Quantity of Smuggled Cigarettes Seized (2013 vs 2012)



Result of Hydrocarbon Oil Enforcement Operations



Legislation under which Customs staff can act

1	Interpretation and General Clauses Ordinance	Cap. 1
2	Import and Export Ordinance	Cap. 60
3	Weights and Measures Ordinance	Cap. 68
4	Post Office Ordinance	Cap. 98
5	Telecommunications Ordinance	Cap. 106
6	Dutiable Commodities Ordinance	Cap. 109
7	Immigration Ordinance	Cap. 115
8	Public Revenue Protection Ordinance	Cap. 120
9	Public Health and Municipal Services Ordinance	Cap. 132
10	Pesticides Ordinance	Cap. 133
11	Dangerous Drugs Ordinance	Cap. 134
12	Antibiotics Ordinance	Cap. 137
13	Pharmacy and Poisons Ordinance	Cap. 138
14	Public Health (Animals and Birds) Ordinance	Cap. 139
15	Control of Chemicals Ordinance	Cap. 145
16	Crimes Ordinance	Cap. 200
17	Plant (Importation and Pest Control) Ordinance	Cap. 207
18	Weapons Ordinance	Cap. 217
19	Magistrates Ordinance	Cap. 227
20	Police Force Ordinance	Cap. 232
21	Firearms and Ammunition Ordinance	Cap. 238
22	Marine Fish (Marketing and Exportation) Regulations	Cap. 291A
23	Dangerous Goods Ordinance	Cap. 295
24	Reserved Commodities Ordinance	Cap. 296
25	Air Pollution Control Ordinance	Cap. 311
26	Shipping and Port Control Ordinance	Cap. 313
27	Industrial Training (Clothing Industry) Ordinance	Cap. 318
28	Protection of Non-Government Certificates of Origin Ordinance	Cap. 324
29	Motor Vehicles (First Registration Tax) Ordinance	Cap. 330
30	Customs and Excise Service Ordinance	Cap. 342
31	Waste Disposal Ordinance	Cap. 354
32	Trade Descriptions Ordinance	Cap. 362
33	Smoking (Public Health) Ordinance	Cap. 371
34	Control of Obscene and Indecent Articles Ordinance	Cap. 390
35	Ozone Layer Protection Ordinance	Cap. 403
36	Drug Trafficking (Recovery of Proceeds) Ordinance	Cap. 405
37	Rabies Ordinance	Cap. 421
38	Toys and Children's Products Safety Ordinance	Cap. 424
39	Organized and Serious Crimes Ordinance	Cap. 455
40	Consumer Goods Safety Ordinance	Cap. 456
41	Fugitive Offenders Ordinance	Cap. 503
42	Mutual Legal Assistance in Criminal Matters Ordinance	Cap. 525
43	Weapons of Mass Destruction (Control of Provision of Services) Ordinance	Cap. 526
44	Copyright Ordinance	Cap. 528
45	United Nations Sanctions Ordinance	Cap. 537
46	Prevention of Copyright Piracy Ordinance	Cap. 544
47	Merchant Shipping (Local Vessels) Ordinance	Cap. 548
48	Chinese Medicine Ordinance	Cap. 549
49	Broadcasting Ordinance	Cap. 562
50	United Nations (Anti-Terrorism Measures) Ordinance	Cap. 575
51	Chemical Weapons (Convention) Ordinance	Cap. 578
52	Protection of Child Pornography Ordinance	Cap. 579
53	Protection of Endangered Species of Animals and Plants Ordinance	Cap. 586
54	Interception of Communications and Surveillance Ordinance	Cap. 589
55	Food Safety Ordinance	Cap. 612
56	Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance	Cap. 615

Actual revenue for 2012-13 and 2013-14

	Actual Revenue	
	2012-13	2013-14
	HK\$'000	HK\$'000
Duties		
Hydrocarbon Oils	3,273,439	3,451,498
Tobacco	5,312,566	5,848,515
Alcoholic Beverages	383,269	415,045
Methyl Alcohol & Other Alcoholic Products	7,236	5,146
Sub-total	8,976,510	9,720,204
Fees charged under Dutiable Commodities Ordinance		
Licence Fees	4,311	4,777
Attendance Fees	411	488
Denaturing Fees	395	321
Storage Fees	6	0
Sub-total	5,123	5,586
Trade Declaration Charges		
Imports and Exports Declaration Charges	1,138,203	878,378
Clothing Levy Service Charges (see Note)	63	63
Penalties	99,443	91,354
Sub-total	1,237,709	969,795
Miscellaneous	103,308	75,187
Total	10,322,650	10,770,772
Note : Clothing Industry Training Levy collected on behalf of the Clothing Industry Training Authority	558	525

Actual expenditure for 2012-13 and 2013-14

	Actual Expenditure	
	2012-13	2013-14
	HK\$'000	HK\$'000
Operating Account		
Personal Emoluments		
Salaries	2,075,636	2,181,868
Allowances	52,490	58,043
Job-related allowances	8,632	9,213
Sub-total	2,136,758	2,249,124
Other Expenses		
Personnel related expenses	57,691	73,134
Rewards and special services	9,281	10,010
General departmental expenses	474,849	550,246
Land usage cost	3,821	3,978
Grant to the Customs and Excise Service Welfare Fund	263	270
Seizure management	39,777	39,048
Sub-total	585,682	676,686
Capital Account		
Plant, vehicles and equipment	23,422	10,231
Minor plant, vehicles and equipment	22,764	24,810
Sub-total	46,186	35,041
Total	2,768,626	2,960,851

Case Statistics (2012)

Ordinance	Number of Cases	Number of Arrests	Estimated Value of Seized Items (HK\$'000)
Consumer Goods Safety	10	-	9
Control of Chemicals	11	-	102
Control of Obscene & Indecent Articles	2	4	383
Copyright / Prevention of Copyright Piracy	116	166	6,934
Crimes	7	5	416
Customs & Excise Service	30	35	2,310
Dangerous Drugs	473	430	1,024,828
Dangerous Goods	14	15	3,456
Dutiable Commodities	21 947	11 425	177,458
Firearms & Ammunition	20	14	191
Immigration	136	166	13,472
Import & Export	382	233	383,049
Merchant Shipping (local vessels)	15	29	4,365
Mutual Legal Assistance in CM	1	-	287
Organized & Serious Crimes	2	2	27,697
Ozone Layer Protection	3	1	1,092
Pharmacy & Poisons	28	21	2,032
Plant (Importation & Pest Control)	5	5	7
Protection of ES of Animals & Plants	166	126	52,823
Public Health & Municipal Services	576	555	10,340
Public Health (Animals & Birds)	7	4	6
Rabies	11	11	5
Reserved Commodities	5	1	390
Shipping and Port Control	17	18	24
Telecommunication	5	2	832
Toys & Children's Products Safety	114	-	28
Trade Descriptions	533	506	158,226
Waste Disposal	17	-	1,868
Weapons	22	11	311
Weights & Measures	124	1	112
Other Ordinances	91	69	12
All Ordinances *	24 593	13 559	1,740,457

Case Statistics (2013)

Ordinance	Number of Cases	Number of Arrests	Estimated Value of Seized Items (HK\$'000)
Anti-Money Laundering and Counter-Terrorist	24	12	7
Antibiotics	2	2	2
Consumer Goods Safety	47	-	12
Control of Chemicals	33	13	202
Control of Obscene & Indecent Articles	1	-	5
Copyright / Prevention of Copyright Piracy	99	143	8,794
Customs & Excise Service	12	14	2,817
Dangerous Drugs	516	439	338,317
Dangerous Goods	5	5	261
Dutiable Commodities	18 650	11 629	132,659
Firearms & Ammunition	28	20	6,986
Immigration	102	117	9,619
Import & Export	4 804	4 535	699,034
Interpretation and General Clauses	1	-	1
Merchant Shipping (local vessels)	14	34	2
Organized & Serious Crimes	1	2	21,398
Pharmacy & Poisons	51	27	16,215
Plant (Importation & Pest Control)	5	5	1
Prevention of Cruelty to Animals	2	2	65
Protection of ES of Animals & Plants	387	264	69,264
Public Health & Municipal Services	373	355	3,204
Public Health (Animals & Birds)	8	5	42
Rabies	10	10	7
Registration of Persons	10	10	2
Reserved Commodities	32	25	39
Telecommunication	5	5	1,759
Toys & Children's Products Safety	76	-	119
Trade Descriptions	752	663	146,331
Waste Disposal	42	-	6,034
Weapons	29	21	162
Weights & Measures	179	2	208
Other Ordinances	97	67	1,228
All Ordinances *	26 042	18 153	1,325,376

* Actual total. A case may involve more than one ordinance. Hence, the total of all ordinances cannot add up to the actual total.

Major Seized Items

Ordinance Major Seized Item	2012		2013	
	Quantity	Estimated Value of Seized Items (HK\$'000)	Quantity	Estimated Value of Seized Items (HK\$'000)
Dangerous Drugs ⁽¹⁾				
Heroin (kg)	69.0	60,202	53.9	50,043
Opium (kg)	1.0	294	4.1	392
Cannabis (kg)	17.4	1,916	48.6	5,486
Ketamine (kg)	496.2	59,042	47.6	6,005
Cocaine (kg)	602.6	840,571	173.9	195,798
Methamphetamine (kg)	35.9	28,413	83.4	63,358
MDMA (tablet)	63	3	273	131
Other psychotropic drugs (tablet)	7 127	2,850	112 253	5,467
Dutiable Commodities ⁽²⁾				
Cigarette (mille)	77 757	191,751	90 672	221,962
Other tobacco (kg)	8 987	27,412	11 437	18,489
Hydrocarbon oil ('000 litre)	273	2,241	47	517
Liquor ('000 litre)	9	4,693	9	1,208
Import & Export				
Television set (no.)	88	29	611	489
Motor vehicle (no.) ⁽³⁾	49	6,222	61	11,265
Vessel / speedboat (no.)	28	1,791	11	456
Copyright				
Optical disc ('000 no.)	197	4,704	311	6,065
Book and printing material (no.)	58	6	79	9
Counterfeit Goods				
Garment and accessories ('000 pc)	518	28,599	408	27,527
Leather goods ('000 pc)	89	14,530	126	17,506
Watch and parts ('000 no.)	56	13,268	62	10,584
Footwear ('000 pairs)	280	33,755	111	14,322
Pharmaceutical products ('000 no.)	13	1,670	160	13,590
Electronic, electrical & computer goods ('000 no.)	1 121	29,831	516	28,831
Others				
Ivory & related products (kg)	5 545	39,139	7 936	84,383
Fireworks (kg)	11	1	6	0
Pornographic optical disc/ video tape ('000 no.)	6	117	0	5
Firearms and parts (no.)	5	1	38	17

(1) The estimated value of seized items includes dangerous drugs measured in different units of measurement.

(2) Include all ordinances

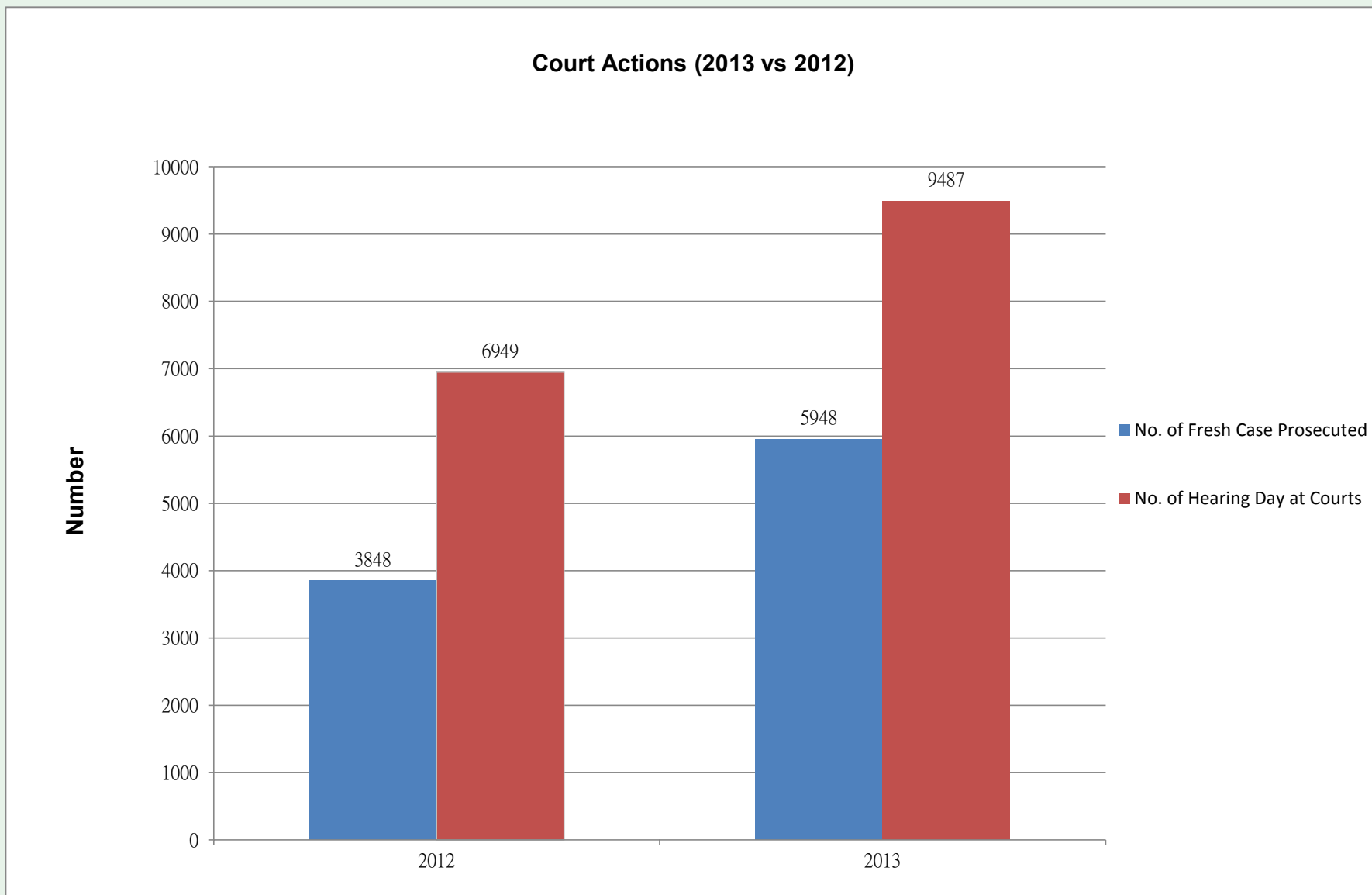
(3) Exclude dismantled/compressed vehicles and bicycles.

Stop & Search of Persons / Vehicles and Road Block Operations

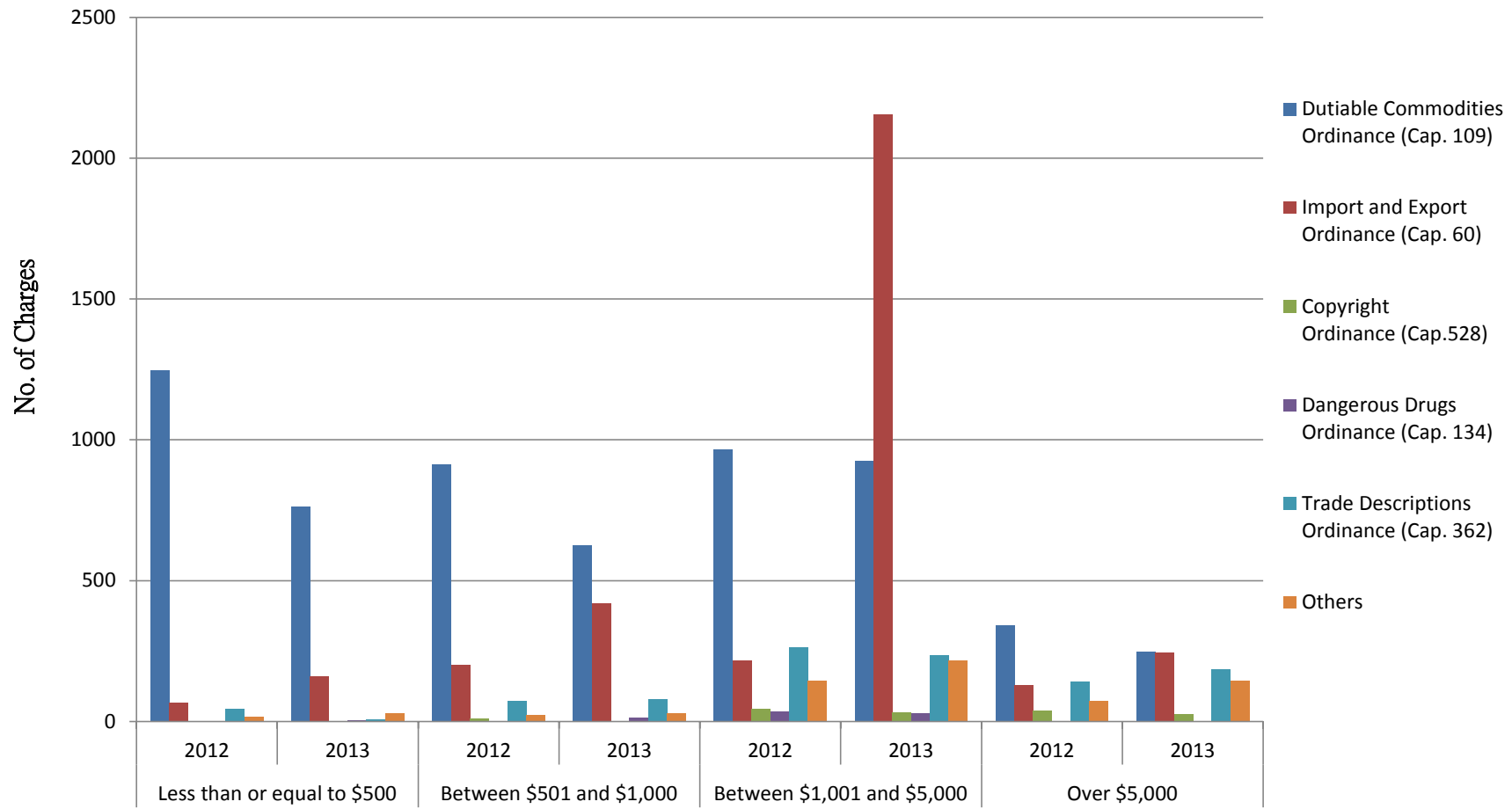
		2012	2013
1. At Control Points			
(i)	No. of persons stopped and searched	82 840	85 950
(ii)	No. of vehicles checked	572 460	484 110
2. Road Block and Road Check Operations			
(i)	No. of operations	-	-
(ii)	No. of vehicles checked	-	-

Programme	No. of classes	
	2012	2013
Induction and Continuation		
Induction Course:		
For probationary Inspectors	4	5
For probationary Customs Officers	15	18
For probationary Assistant Trade Controls Officers	1	2
Continuation Course:		
For probationary Inspectors	3	1
Functional Competency		
For C&E Service members		
Legal Training Workshop for Inspectorate Officers		1
Raiding Techniques Course	2	1
Criminal Intelligence Analysis Training	1	1
Standard Criminal Investigation Course	3	4
Financial Investigation Course	1	
Accident Investigation & Prevention Course	2	2
Basic Safety Management Course	1	1
Seminar on Administrative Laws		1
Raiding, Apprehension and Escort (RAE) Course for Frontline Officers	5	8
Safe Handling of Chemicals Course	1	1
Safe Use of Display Screen Equipment Course	1	1
Certificate of Competence in Manual Handling Course	1	3
Seafreight Operation Course	1	1
Import and Export Trade Practices Course	1	1
Dog Bite Safety Course	2	1
Office Safety Course		1
Prevention of Heat Stroke at Work in a Hot Environment Course	1	1
Alert Defensive Driving Course	2	
Mental Health First Aid Course	2	2
i2 Analysts Notebook and iBridge User Training Course	2	
Information Security Essentials: Trends & Latest Updates	1	1
Mental Health First Aid Standard Course Extension - Peer Counseling & Skills	4	2
Workshop on Handling of Problem Gambling	2	2
Health Hints on the Use of Display Screen Equipment	1	1
General Training Course on Occupational Safety and Health	1	1
Experience Sharing Seminar on Occupational Safety and Health	1	1
Workshop on Identification of Suspects	1	
Safety Inspection Course	2	2
Basic Occupational Health Course	1	1
Radioactive Source Security Awareness Seminar	1	
Training Course on the Physical Protection and Security Management of Radioactive Sources	1	
First Aid Care (Including Demonstration of Bandaging)	1	
Basic Risk Assessment Course	1	1
Seminar on Preparation and Prosecution of C&E Cases in the Magistrates' Courts	1	
Experience Sharing Session on Daya Bay Contingency Plan Exercise	2	
Intelligence & Investigation Course	4	3
Training Course for Health and Welfare Managers		3
Conflict Management Course		1
Advanced Legal Training Course for Prosecution Liaison Officers / OC Cases		1
Train-the-Trainer Course on Video Interview System		1
Cargo Processing Course	4	3
Passenger Processing Course	4	2
Foot Drill Instructor Course	1	2
Bronze Medallion Lifesaving Course		1
Swimming Techniques Training Course		2
Firearms and special equipment training courses	52	37
Use of Oleoresin Capsicum foam	10	
Range Management Course	1	1
Arms Cleaning Course	2	3
HK MP5 Sub-machine Gun Training Course	1	
Annual HK MP5 Sub-machine Gun Refresher Course	3	3
Shotgun Training Course	4	3
Annual Shotgun Refresher Course	16	8
HK 53 Sub-machine Gun Training Course	1	1
Annual HK 53 Sub-machine Refresher Course	6	7
Thigh Draw Holster Training Course	2	2
Thigh Draw Holster Refresher Course	6	4
Signal Pistol Training Course		3
Bus (under 30 seats) Driving Course		2
For both C&E Service members and TCOG officers		
Enhanced Intelligence and Investigation Course	1	1
For TCOG officers		
Mock Court Training for TCOG Officers	1	1
Basic Control Tactics (RAE) Course for TCOG Officers	2	
Import and Export Practices and China Cargo Customs Clearance Procedures Course	2	
Course on Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and Related Regulatory Issues	1	
Anti-Money Laundering Seminar for Money Service Operator	1	
Briefing Session on CPB(2) On-call Duties	2	
Workshop on Handling TDO Related Cases during On-call & Patrol Duty	6	
Basic First Aid and Use of Automated External Defibrillator Course	1	1
Train-the-Trainer (Facilitation Skills for Managers)		1
ROCARS Training Course		2
Revision Course on Procedures in Performing Outdoor Duties		2
Workshop on Preparation of Prosecution Papers		1

Programme	No. of classes	
	2012	2013
Train-the-Trainer Basic Criminal Investigation Course for OFCA's Officers		1
Training Course on "Domain Name System"		2
Investigation Techniques in Handling Internet Crime		1
Investigation Course on Unfair Trade Practices		4
Course on On-Call Duties relating to the handling of Unfair Trade Practices Cases		4
Skills and Techniques for Presentation		1
Management Development		
<i>For C&E Service members</i>		
COG Supervisory Course	2	3
Customs Officer Development Course	2	2
Train-the-trainers Course on Conflict of Interest	2	
Integrity Awareness Seminar	2	2
<i>For both C&E Service members and TCOG officers</i>		
Customs Management Development Course	1	1
Customs Command Course	1	1
Seminar on Sexual Harassment	37	
Valuing Diversity in Workplace	1	1
<i>For TCOG officers</i>		
Management & Personal Development Programme for TCO - Performing Through EQ	1	
Management & Personal Development Programme for TCO - Effective Influence and Negotiation Skills	1	
Course on Team Building and Leadership	1	
Workshop on Conducting Selection Interview	1	
Managing Self Integrity	2	2
Change Management Course	1	
People Skills & Conflict Management Workshop for STCO/TCO	1	
Coaching and Peer Counseling Skill Workshop for STCO/TCO	1	
3rd Management & Personal Development Programme for TCO - Performance Appraisal Interview		1
3rd Management & Personal Development Programme for TCO - Presentation & Experience Sharing		1
Resilience Building at Work		1
TCO Management & Development Course - Performance Appraisal Writing & Performance Appraisal Interview		1
TCO Management & Development Course - Fundamental Skills for Junior Manager		1
TCO Management & Development Course - Effective Writing at Work Part I and Interpersonal and Communication Skills Part I		1
TCO Management & Development Course - Interpersonal and Communication Skills Part II and Assertiveness and influencing Skills		1
TCO Management & Development Course - Problem Solving Skills		1
TCO Management & Development Course - Time Management and Scheduling Methods		1
TCO Management & Development Course - Effective Writing at Work Part II and EQ and Stress Management		1
Communication		
<i>For C&E Service members</i>		
Elementary Putonghua Refresher Course	1	
<i>For both C&E Service members and TCOG officers</i>		
Elementary Putonghua Course	1	
Intermediate Putonghua Course	2	2
<i>For TCOG officers</i>		
Putonghua in Meeting for TCOG Officers	1	
Practical Putonghua for Trade Controls Officer Grade Officers	1	1
Training for Visiting Customs Officials		
Customs Clearance Monitoring Course for Mainland Customs	1	
Human Resource Management Course for Mainland Customs	1	
Risk Management Course for Mainland Customs		1
Anti-smuggling and Narcotic Control Course for Mainland Customs	1	
Customs Management Course for Mainland Customs		1



Range of Fines (2013 vs 2012)



Range of Sentences (2013 vs 2012)

