



Customs and Excise Department

Departmental Review 2018

Content

	Pages
Foreword	1 – 6
1. Our Vision, Mission and Values	7
2. Organization of the Department	8 – 9
3. Anti-smuggling	10 – 17
4. Trade Facilitation	18 – 26
5. Narcotics Interdiction	27 – 30
6. Intellectual Property Rights Protection	31 – 40
7. Consumer Protection	41 – 46
8. Revenue Collection and Protection	47 – 50
9. Trade Controls	51 – 58
10. Customs Co-operation	59 – 65
11. Information Technology	66 – 68
12. Planning and Development	69 – 70
13. Administration	71 – 77
14. Training and Development	78 – 83
15. Financial Administration	84 – 85
16. Criminal Prosecution	86 – 87
Chronicle	88 – 141
Appendices	142 – 160

Foreword

In the year 2018, the Department continued to demonstrate the fine tradition of dedication and professionalism, and the achievements in both law enforcement and trade facilitation were encouraging.

The Department detected a total of 216 smuggling cases in 2018, representing an increase of 4 per cent when compared to 2017. Same as the level in 2017, 215 arrests were made. The seizure value dropped by 21 per cent to \$417 million. Among the cases, around 86 per cent involved smuggling activities between the Mainland and Hong Kong. The seizure value of electrical and electronic goods recorded a 70 per cent increase to HK\$174 million. The sea smuggling seizure value increased 1.1-fold to \$179 million. A total of 267 cases with a seizure value of around \$25 million were detected from the air cargo channel, representing increases of 16 per cent and 14 per cent respectively.

In relation to anti-narcotics work, 919 drug cases were detected, a 3 per cent decrease compared with the 2017 figure. A total of 393 arrests and seizures of 1 327 kilograms of drugs were made, representing increases of 21 per cent and 19 per cent respectively. Major seizures in quantity order were gamma-Butyrolactone (343.8kg, a 1.8-fold increase), cocaine (253.2kg, an increase of 81 per cent) and cathinone (bath salts) (187.1kg, a decrease of 46 per cent). While the total cannabis seizure fell 39 per cent to 141.1kg, seizures at the airport jumped 67 per cent to 130.9kg. Seizures at the airport jumped 46 per cent to 1 051kg, accounting for about 79 per cent of the total drug seizure in the year. Of the airport seizures, 414.5kg were made at the air cargo terminals, which was a 57 per cent increase from the 2017 figure. Six big cases, each with a seizure value of more than \$10 million, were detected in 2018. In one individual case, which is the biggest ever in-town cocaine seizure by the Department, 79kg of the drug with a market value of about \$80 million were intercepted. In addition to fostering closer co-operation with the Mainland and overseas enforcement agencies to combat the source origin of drug supply by intelligence exchange and joint operations, the Department continued to work with the logistics industry through the established notification mechanism. A total of 143 drug cases were detected under the mechanism during the year.

For revenue collection on dutiable commodities, duty collected by the Department in 2018 was close to HK\$10.68 billion, representing an increase of 0.83 per cent over

2017. 59.46 per cent of the duty was from tobacco products (HK\$6.35 billion), 35.01 per cent was from hydrocarbon oil (HK\$3.74 billion) and the rest was from alcoholic products.

Compared with 2017, the number of illicit cigarette cases rose 71 per cent to 13 582 cases. Illicit cigarettes seized decreased by 12 per cent to 53.4 million sticks. Significant smuggling cases (cases involving 500 000 or more sticks) into the territory detected decreased by 42 per cent to 14, resulting in the seizure of 19.5 million sticks. Tackling at source has proved to be an effective way to cut off the illicit cigarette supply chain. The Department would continue to adopt a holistic enforcement approach covering the entire supply chain in combatting illicit cigarette activities, and would also enhance partnership with housing estate management offices and telecommunication service providers to combat telephone ordering.

In 2018, HK\$9.44 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 public revenue, combat trade malpractices and maintain a level playing field for the vehicle business, the Department continued to step up enforcement actions and prosecuted 43 vehicle companies and persons, involving 81 motor vehicles. In 2018, the Department continued to reach out to traders to promote their awareness of legal liabilities. This, coupled with the enhanced market research of vehicle prices, strong enforcement and intensive on-site vehicle inspection, effectively combated first registration tax evasion and protected the rights of vehicle buyers.

On intellectual property rights protection, a total of 950 infringement cases were detected in 2018, representing an increase of 4 per cent when compared to 2017. Among these cases, 207 involved Internet crime. The value of the infringement goods seized dropped by 12 per cent to HK\$104 million. It is worth noting that 45 cases of making use of Internet platforms by physical shops in soliciting for business were detected, which was a 67 per cent increase from 2017. The Big Data System has been running well since its operation began in 2017. In 2018, the system detected 38 infringing cases, accounting for 20 per cent of the Internet infringing cases. This contributed to the seizure of 3 400 counterfeit items, which constituted 61 per cent of the seizures from Internet piracy cases.

For financial investigation, the Department continues to take an active role in tracing crime proceeds and combating related money laundering activities.

As regards supervision of money service operators, the Department prosecuted four cases of unlicensed operation of money service in 2018, leading to a total fine of HK\$96,000. Generally speaking, the money service operator licensing system was operating smoothly.

Enforcement of the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance has been smooth and effective since its operation began on July 16, 2018. As of the end of December 2018, 15 048 declarations involving \$734.4 billion were received. During the three-month-long grace period, 23 written warnings were issued. After the period, 32 travellers made a fixed penalty payment of \$2,000 to discharge legal liability, while one cargo clearance case is under investigation.

Since the implementation of export control on powdered formula in March 2013, the number of illegal export cases has dropped significantly, from an average of about 430 cases per month in 2013 to around 326 in 2018, proving the effectiveness of the measure. On smuggling of endangered species of animals and plants, 745 cases were detected and more than 270 000 kg of items were seized, representing increases of 72 per cent and 3.3-fold respectively. The Department will continue to strengthen intelligence exchange and co-operation with the Mainland and overseas law enforcement agencies to combat smuggling at source.

On consumer protection, the Department in 2018 prosecuted 19 cases related to short weighing, six related to toys and children's products and nine related to general consumer goods. For cases related to unfair trade practices, 142 enforcement cases were effected, 66 successful prosecutions were recorded and warning letters were issued in two cases. On fitness and beauty industries drawing public concern, in addition to stepping up enforcement action the Department held seminars and meetings for the relevant industries during the year to disseminate messages on fair trading. To combat unfair trade practices for consumer protection, Customs officers patrolled at popular spots of tourist shopping areas on festive occasions. To combat violations by traders, the Department has adopted the deployment of a Quick Response Team to handle and follow up promptly on complaints related to the Trade Descriptions Ordinance lodged by visitors who stay only a short while in the territory. During the year, Quick Response Teams were summoned on 88 occasions to handle urgent complaints. In the first ever successful prosecution of a trader who failed to identify commercial intent in selling services, a beauty parlour agent was ordered to pay victims \$238,698 in compensation and serve a community service order of 160

hours. This is also a record-high level of compensation for victims of unfair trade practices by the service industry. In another first successful prosecution of its kind, an education centre's proprietor involved in bait-and-switch advertising was ordered to pay four victims \$69,380 in compensation and serve a community service order of 180 hours. Also, in the first successful prosecution of the beauty service industry involving the practice of bait and switch, a beauty parlour staff member was sentenced to 120 hours of community service. Furthermore, in another first-of-its-kind successful prosecution, an online second-hand vehicle retailer was sentenced to two months' imprisonment suspended for two years and a fine of \$40,000 for altering travelling mileage.

The number of enterprises accredited as Authorized Economic Operators increased to 50 in 2018. Mutual Recognition Arrangement was signed with New Zealand in the year, adding up to a total of nine following those with the Mainland, India, Korea, Singapore, Thailand, Malaysia, Japan and Australia Customs. In addition, the Free Trade Agreement Transshipment Facilitation Scheme which rolled out at the end of 2015 was well received with 14 935 applications with goods valued at US\$1.16 billion and estimated tariff reduction of around US\$81 million by the end of 2018.

Under the Single E-lock Scheme (SELS) which started in March 2016 for speedy cargo clearance purposes, Hong Kong Customs' Intermodal Transshipment Facilitation Scheme is interconnected with the Speedy Customs Clearance of the Customs administrations of Guangdong Province. A total of 63 speedy cargo clearance points have now been established in Hong Kong and Guangdong Province to speed up the customs clearance process of cargo transshipment between the two places, making available 612 transshipment routes for the scheme's participants. Up to the end of 2018, the scheme had processed more than 6 million cargo shipments.

The Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) and the Hong Kong-Zhuhai-Macao Bridge (HZMB) Hong Kong Port commenced operations in September and October respectively. Being the first cross-boundary infrastructure project linking the three places, the HZMB is unprecedented. A memorandum on the co-operative and mutual-assistance arrangements was signed between the Guangdong Sub-Administration of the General Administration of Customs of the People's Republic of China, the Hong Kong Customs and Excise Department and the Macao Customs Service to ensure a smooth customs operation. With the bridge's opening, the Pearl River Delta's western side is incorporated into a reachable three-hour commuting radius of Hong Kong. Enjoying the dual advantage of the

traffic connectivity brought about by the bridge and the trade facilitation measures by Hong Kong Customs, Hong Kong AEO operators and the SELS participants are especially in a favourable position to develop their business. A win-win situation has also been created for both Hong Kong Customs and the business sector. Under the co-location arrangement, customs clearance operations have been smooth at both the Hong Kong West Kowloon Station and the Shek Kong Stabling Sidings of the XRL.

In retrospect, the Department cracked down on 22 552 cases in 2018, representing an increase of 38 per cent from 2017. The value of seizures recorded a decrease of 5 per cent to HK\$1.21 billion in 2018. Looking ahead, the Department highly values the importance of sustainable development and will strengthen its capabilities in law-keeping and trade facilitation by formulating a smart customs blueprint under a four-pronged strategy covering application, research and development, analysis, and fortification. The Department would maintain its unity, initiate reform and transform its role by developing under the blueprint of smart customs to provide excellent public services, enhance the city's competitiveness and facilitate its economic development.

Senior Management of the Customs and Excise Department in 2018



NGAN Hing-cheung
Assistant Commissioner
(Administration and Human
Resource Development)

HO Pui-shan (Ms)
Assistant Commissioner
(Boundary and Ports)

LIN Shun-yin
Deputy Commissioner

TANG Yi-hoi
Commissioner

TAM Yat-keung
Assistant Commissioner
(Excise and Strategic Support)

LAI Lau-pak
Assistant Commissioner
(Intelligence and Investigation)

FU Lai-ha (Ms)
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 (C&ED). 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 Cross-boundary Bridge 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, the Office of Trade Single Window Operation 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 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, consumer protection and supervision of money service operators. The Branch is made up of the CEPA and Trade Inspection Bureau, the Consumer Protection Bureau, the Money Service Supervision Bureau, the Trade Declaration and Systems Bureau, the Trade Descriptions Investigation Bureau and the Trade Investigation 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 2018, the Department had an establishment of 6 970 posts. Of these, nine were directorate posts, 5 835 were posts of the C&E Service, 475 were those of the Trade Controls Officer Grade and 651 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-valued 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 216 unmanifested cargo cases in 2018, an increase of 4 per cent when compared with 2017. Amongst the cases, 185 of them involved items smuggled between Hong Kong and the Mainland, including 52 at sea and 133 on land. There were 215 persons arrested and the seizures amounted to HK\$417 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, digital cameras and accessories, computers and accessories and dried seafood remain the popular items smuggled into the Mainland. Items smuggled to Hong Kong include precious metals, dutiable cigarettes, counterfeit and copyright infringing articles.

Concealment remains a common tactic adopted by smugglers to evade Customs detection. Common concealment methods include 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. Another common concealment method includes the use of void spaces in cross-boundary conveyances to hide small and high valued merchandise such as diamonds, gold slabs and computer processing units. Smugglers also exploit the long coast line of Hong Kong, and with loading places frequently changed to evade detection, send high-valued merchandise into the Mainland by high-powered speedboats moving at breakneck speeds. Some smuggling syndicates resort to using containerized sea cargo to smuggle hot items to the Mainland.



A secret compartment under the main deck of a motorized sampan

The use of rope and pulling system reemerged as a method for smuggling goods across the land boundary.



Mobile phones intended for smuggling by the use of rope and pulling system

Smugglers also took advantage of the high vehicular traffic of cross-boundary private cars by deploying "ants moving home" tactics, in which high valued items were smuggled through the land boundary in secret compartment of the vehicles.



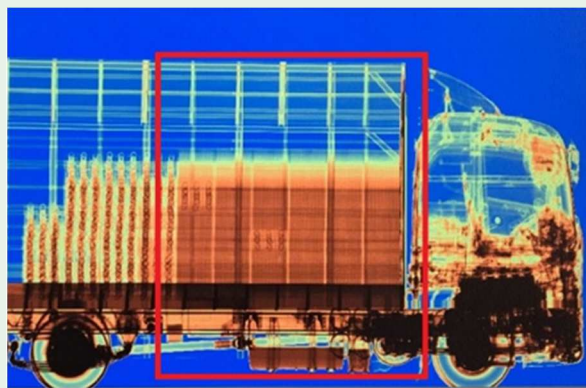
Mobile phones in a secret space in the altered battery compartment of an electric vehicle

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 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 has 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 2018, a total of about 277 200 kg of powdered formula were seized.

Dutiable Commodities

Illicit Cigarettes

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 tend to mix the cigarettes with general cargo and falsely declared the consignment, or concealed them inside imitated goods as camouflage. In addition to 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 2018, a total of 30 million smuggled cigarettes were seized, with the majority found onboard cross-boundary vehicles arriving from the Mainland.



X-ray photo shows unmanifested cigarettes concealed in the inner portion of a cross-boundary lorry.



Illicit cigarettes were smuggled by way of being concealed inside imitated goods as camouflage.



Illicit cigarettes were found mixed-loaded with general cargoes onboard an incoming container truck.

Illicit Fuel

Rigorous enforcement through increased checks on incoming vehicles and vessels has contained the problem of illicit fuel smuggling from the Mainland. In 2018, 11 importation cases, all at sea, were effected with 5 800 litres of 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 50 per cent of the notifications issued under the Project thus far. Since the launch of the Project in August 2004, 100 containers, containing 639.36 million cigarettes and 6 674 kg of manufactured tobacco in total, were seized as a result of information provided by Hong Kong Customs.

Dangerous Drugs

Cannabis, cocaine, methamphetamine, ketamine and heroin are popular dangerous drugs smuggled into Hong Kong. In 2018, the Department detected 919 cases with 1 327 kg of assorted drugs (not including khat) seized. Drug syndicates smuggle drugs into Hong Kong by both passenger and cargo conduits through the control points. Air parcels and express cargoes are exploited to smuggle dangerous drugs to overseas countries. 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

In 2018, five cases involving seizure of 120.3 kg of precious metals were detected and the total seizure value was HK\$25 million.

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 2018, 96 cases of firearms and weapons were detected at the Airport with 14 persons arrested and the total seizure value was HK\$0.65 million.

At the land boundary control points, nine cases were effected in 2018 with ten persons arrested and the total seizure value was about HK\$60,000.

Counterfeit and Pirated Articles

The Department has continued to accord high priority to the protection of intellectual property rights (IPR). Rigorous operations are mounted to suppress counterfeiting and pirating activities. Major seizures include garments, handbags, shoes, leather products, watches, cosmetics, mobile phones and accessories, which bear forged trademarks or false trade descriptions. As it has been a global trend to have online 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 online are on the rise. To tackle the problem, co-operation with overseas law enforcement agencies, express courier companies and the Hongkong Post is enhanced. In 2018, 344 and 32 cases of IPR infringing goods were detected from express couriers and the postal channel respectively. Joint operations with other customs administrations and international organizations resulted in a total of 65 cases with 4 persons arrested and seizures valued at HK\$16.5 million.

At the Hong Kong International Airport (HKIA), 34 IPR cases were detected with the seizures valued at HK\$0.9 million. At the land boundary control points, 15 importing cases were detected with 14 persons arrested and seizures valued at HK\$5.4 million. Besides, 32 cases of IPR infringing goods were detected from shipments via sea mode and the seizure value was HK\$47.6 million.

Electrical and Electronic Goods

Smuggling of high-valued electrical and electronic goods to the Mainland continued in 2018. The value of electrical and electronic goods seized surged 70 per cent in 2018 to HK\$175 million.

Meat and Poultry

To safeguard public health, joint operations are regularly mounted by the Department with the Food and Environmental Hygiene Department (FEHD) at the land boundary and cross-boundary bridge control points. In 2018, 517 joint operations with FEHD were conducted. Enforcement actions taken throughout the years have successfully deterred smuggling of meat and slaughtered poultry by cross-boundary cargoes and passengers.

Endangered Species

In 2018, Customs officers detected 745 cases of endangered species of animals and plants. The items involved woodlogs, ivory tusks, and pangolin and its scales, etc.

In 2018, Customs officers detected 28 sea smuggling cases of endangered species of animals and plants. Among the seizures, Customs detected 245 000 kg of controlled wood logs with a market value of nearly HK\$23 million. Other than controlled wood logs, Customs officers also seized 12 800 kg of pangolin scales valued nearly HK\$12 million. The total seizure value of endangered species in sea smuggling cases was about HK\$37 million.



Raw ivory tusks seized in cargo examination



Pangolin scales seized in cargo examination

Marked Oil

Since May 2005, the Department has 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 2018, five cases were detected with 11 persons arrested and the total seizure value amounted to HK\$0.3 million.

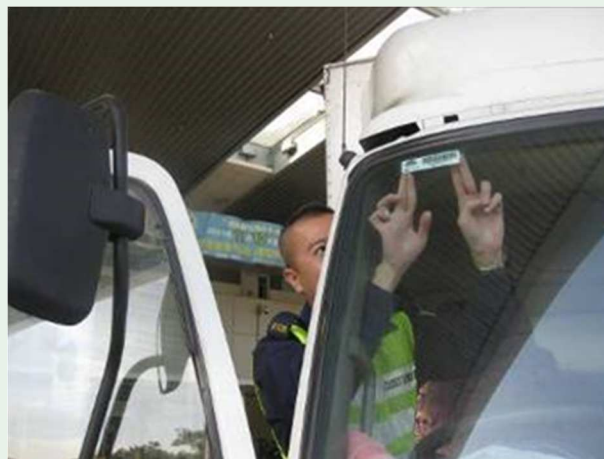
In 2018, eight joint operations with China Coast Guard against cross-boundary sea smuggling of marked oil were mounted to contain dubious bunkering activities.

4. Trade Facilitation

Road Cargo System (ROCARS)

Submission of pre-shipment road 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 important status of Hong Kong as a logistic hub in the region.

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



Customs Officer 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 businesses of HKSAR. To facilitate the movement of transshipment cargoes, the Department officially launched 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 ITFS, electronic locks (E-locks) are applied to secure cargo compartments of vehicles conveying transshipment cargoes to prevent the cargoes from being tampered with during the

journey in Hong Kong. Besides, global positioning system devices are used for monitoring the status of the E-locks and tracking the movement of the goods vehicles to ensure the security of the cargoes while they were being conveyed within the Hong Kong boundary.



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

To provide further clearance facilitation, the Department and the Mainland Customs joined hands to launch the Single E-lock Scheme (“SELS”) in March 2016 by connecting ITFS with the Mainland Customs’ Speedy Customs Clearance System. Under SELS, the two Customs administrations conduct monitoring of the cargo based on the principle of “across the boundary with one single e-lock under separate monitoring”. For cargo which has undergone inspection with no irregularity identified, the respective customs administration will switch on the green light on the e-lock for each other’s reference. Inspection of the same shipment by both Customs administrations at the busy land boundary control point would be reduced, resulting in time and cost saving for the trade. In 2018, SELS covers 46 clearance points in both Hong Kong and the Mainland (12 in Hong Kong, 32 in Guangdong province and two in Hunan province) which provides more than 400 routes to the participants to cope with the rapid development of the cross-boundary commerce.

Free Trade Agreement Transhipment Facilitation Scheme (FTA Scheme)

On 20 December 2015, to further enrich the facilitation services provided under the Economic Cooperation Framework Agreement (ECFA) and to allow more transhipment cargoes in Hong Kong to enjoy preferential tariff under the Free Trade Agreements (FTAs) signed between the Mainland and other economies, Hong Kong Customs launched a voluntary Free Trade Agreement Transhipment Facilitation Scheme (FTA Scheme). The FTA Scheme provides for Customs supervision service and issuance of Certificates of Non-manipulation to certify transhipment cargoes that have not undergone any further processing during their stay in Hong Kong. The FTA Scheme covers transhipment cargoes in Hong Kong heading for the Mainland from Taiwan under the ECFA, and from 22 countries under their respective FTAs¹ with the Mainland, as well as transhipment cargoes heading for Australia, Korea and Taiwan from the Mainland. In May 2016, the Department and the Mainland Customs signed a Co-operation Arrangement to signify the arrangements under the FTA Scheme provided for transhipment cargoes heading for the Mainland.

On 10 April 2018, the Department and the Korea Customs Service signed a Memorandum of Understanding (MoU) on co-operation and mutual assistance in the rules of origin administration under the China-Republic of Korea FTA. The MoU recognised the Department as an issuing authority of Certificates of Non-Manipulation for cargoes from the Mainland transhipped through Hong Kong to Korea, making them eligible for preferential tariffs under the China-Republic of Korea FTA.

¹ *ECFA and the 12 FTAs cover the following economies: Association of Southeast Asian Nations (commonly referred to as ASEAN, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Australia, Bangladesh, Chile, Costa Rica, Iceland, India, Korea, New Zealand, Pakistan, Peru, Sri Lanka, Switzerland and Taiwan.*



Commissioner of Customs and Excise, Mr Hermes Tang (right), and Commissioner of the Korea Customs Service, Mr Kim Yung-moon (left), signed an MoU on co-operation and mutual assistance in the rules of origin administration under the China-Republic of Korea FTA in Hong Kong on 10 April 2018.

The number of FTA applications received under the Scheme has been on an upward trend since its launch. In 2018, Hong Kong Customs received 5 680 applications for cargoes with a total trade value of US\$420 million and tariff savings of around US\$31 million, representing a year-on-year increase of 8% over 2017. The FTA Scheme allows goods passing through Hong Kong to enjoy preferential tariff, strengthens Hong Kong's status as a logistics hub in the region, and enhances the development of local trade, commerce and logistics sectors under the Belt and Road Initiative.

The Department will continue to promote the Scheme and sustain efforts in its extension to cover more transshipment cargoes heading for other economies having FTA with the Mainland.



Customs officers checking a container seal



Customs officers affixing Customs seals onto FTA consignments

Wine Exports to the Mainland

The Department and the Mainland Customs signed the “Co-operation Arrangement on Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong” in February 2010. Following the signing of the said Agreement, a scheme for the facilitation measures (“the Scheme”) was launched at designated ports in Shenzhen and Guangzhou. In October 2015, the applicability of the Scheme was extended from designated ports in Shenzhen and Guangzhou to all ports in Beijing, Shanghai, Tianjin, Shenzhen and Guangzhou Customs Districts. In November 2017, the Scheme was further extended to all ports in all 42 Customs Districts of the Mainland. Hong Kong registered wine exporters can submit advance wine consignment information online to enjoy immediate Customs clearance upon their consignments’ arrival at Mainland ports.

To seize the new opportunities arising from the development of the Greater Bay Area, the Department will strengthen the promotion of the Scheme for the relevant Customs Districts, and continue to explore with the Mainland Customs for further enhancement of facilitation measures.

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) Programme² 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 2018, the Department has accredited 50 AEOs (including nine small and medium enterprises) 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 arrangements (MRAs)³ with other customs administrations with a view to multiplying benefits for the Hong Kong AEOs. Following the MRAs signed with the General Administration of Customs of the People's Republic of China, the Central Board of Excise and Customs of India, the Korea Customs Service, the Singapore Customs, the Customs Department of the Kingdom of Thailand, the Royal Malaysian Customs Department, the Customs Administration of Japan and the Australian Border Force from 2013 to 2017, the Department signed the 9th MRA with the New Zealand Customs Service in June 2018. At the same time, the Department also signed AEO MRA Action Plan with the Canada Border Services Agency to mark the commencement of formal negotiation for mutual recognition of the Hong Kong AEO Programme and the Partners in Protection Programme in Canada. Discussions with customs counterparts of Mexico, Israel and the European Union for establishing MRAs are underway.

² *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.*

³ *Mutual recognition of AEO programmes 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.*



Commissioner of Customs and Excise, Mr. Hermes Tang (right), signed an MRA for the AEO Programme with the New Zealand Customs Service in Brussels, Belgium on 28 June 2018.



Assistant Commissioner of Customs and Excise (Excise and Strategic Support), Mr Jimmy Tam (right), signed an MRA Action Plan for the AEO Programme with the Vice President of the Canada Border Services Agency in Brussels, Belgium on 29 June 2018.

Smart and Secure Trade Lanes (SSTL) Pilot Project

The Smart and Secure Trade Lanes (SSTL) Pilot Project⁴ has been running on a proper course since its implementation in Hong Kong in November 2013. In 2018, the Department continued its active participation in the project. Through attending the working group meeting held in Trieste, Italy in June, the Department has been working closely with the General Administration of Customs of the People's Republic of China (GACC) and the Directorate General for Taxation and Customs Union (DG TAXUD) of the European Commission to take forward the project with the extension of operation from maritime mode to air and rail modes, with an aim of strengthening Hong Kong's role as an international and regional logistics hub.



The 31st SSTL Working Group Meeting was held in Trieste, Italy from 12 to 13 June 2018.

⁴ *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. Hong Kong Customs formally joined the SSTL Pilot Project in June 2013.*

Development of Trade Single Window

To maintain Hong Kong's competitiveness as a trading and logistics hub and to align with the international trend, the Government announced in 2016 to set up a Trade Single Window (TSW) in Hong Kong for one-stop lodging of all B2G documents to facilitate trade declaration and customs clearance. The Commerce and Economic Development Bureau has established a Project Management Office (PMO) since April 2016 to take forward the initiative with C&ED and other Government Agencies.

In view of its mega scale and complexity, the TSW will be developed in three phases. Phase 1 will cover 13 types of trade documents for which applications could be made through the TSW on a voluntary basis. Upon rollout of Phase 1 in December 2018, C&ED took up the role of TSW Operator to operate the facility on a daily basis. An Office of Trade Single Window Operation has also been set up to provide public services including user registration, training, help-desk service, and system maintenance and operation, etc. Regarding the mandatory submission of other trade documents through TSW in Phase 2 and pre-shipment documents for cargo clearance in Phase 3, the scheduled roll-out dates are respectively by 2022 and 2023 the earliest.

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 take 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 target smuggling of drugs by express parcels and mails and drug traffickers at the control points, who sneak 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 findings.

Cocaine which originates from South America is gaining popularity worldwide and has always been a high priority on Customs anti-drug programme. In 2018, the Department seized 253.2 kg of cocaine with 144 persons arrested, representing an 81 per cent and 43 per cent increase when compared with 2017. Among the seizures, 149.4 kg was intercepted with 41 persons arrested in inland areas.



79 kilograms of cocaine and 1 kilogram of methamphetamine were seized with an estimated market value of about \$80 million.



Close-up of cocaine with package cut-opened

Methamphetamine is a popular drug among young people, with 147.1 kg seized and 119 persons arrested in 2018. Among the seizures, 117.7 kg was intercepted at the HKIA whilst en route mainly to other countries in the Asia Pacific region.

In 2018, the Department seized 141.1 kg of cannabis with 77 persons arrested. Among the seizures, 130.9 kg were intercepted at the HKIA, in which 75.2 kg of cannabis was seized from air cargoes and 55.7 kg seized from incoming air passengers.

Ketamine is another popular drug among young people. The Department arrested 64 persons and seized 18.5 kg in 2018. The seizure decreases 68 per cent when compared with 2017. In 2018, 12.2 kg were intercepted with 17 persons arrested at the HKIA. Of these 17 arrestees, three were teenagers aged under 21.

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 2018, 30.1 kg of heroin were seized with 34 persons arrested. Most of them were seized from incoming passengers. The seizures were mainly concealed inside baggage and body packed, and were believed to be destined for the neighbouring areas.

In 2018, the Department seized 187.1 kg of synthetic cathinones, a new psychoactive substance commonly known as “bath salt”. The drugs were seized mainly from parcels destined for overseas countries including the United States, France, the United Kingdom and Australia.

Co-operation with Overseas and Mainland Authorities

The Department has maintained close ties with law enforcement agencies in the Mainland and overseas to enhance the effectiveness of enforcement against transnational drug trafficking. In 2018, as a result of co-operation with other jurisdictions, 1 338.3 kg of drugs were seized and 39 persons were arrested outside Hong Kong. Of significance, cross boundary cooperation with Anti-Smuggling Bureau of Shenzhen Customs and Shenzhen Municipal Public Security Bureau, a large scale cocaine storage was smashed in Panyu with seizure of 1.29 tonnes of cocaine and seven persons arrested.

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.

There was a decrease in the number of persons aged below 21 arrested in connection with drug offences at the land control points. In 2018, the number of arrests was six while that of 2017 was seven. The Department will continue to step up enforcement action against cross-boundary drug trafficking and increase the public awareness of the severe penalties of drug offences and harmful effects of drug abuse.

Control of Chemicals

The Department maintains a licensing system under the Control of Chemicals Ordinance to regulate the trade of 29 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. 541 PENs were issued to 19 countries in 2018.

During the year, the Department took part in three international tracking programmes, namely "Project Cohesion", "Project Prism" and "Project ION" for monitoring the movements of potassium permanganate, acetic anhydride and chemicals that could be used for the illicit manufacture of amphetamine-type stimulants and preventing new psychoactive substances from reaching consumer markets. These initiatives, organized by the United Nations International Narcotics Control Board, 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 United States Drug Enforcement Administration, Hong Kong Country Office since August 2008, for tracking the movement of suspicious shipments of acetic anhydride, acetyl chloride, piperidine, potassium permanganate and phenylacetic acid 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 levels.

Anti-piracy Enforcement

The Department detected 119 piracy cases and arrested 143 persons in 2018. Seizure of pirated optical discs (PODs) amounted to 4.9 million.

Actions against Retail Sale of Pirated Goods

The Department maintains rigorous enforcement actions against retail outlets selling PODs, aiming to wipe out optical discs piracy activities totally. The Intellectual Property Investigation Bureau, the formation that organizes all anti-piracy operations, is determined to go after the syndicates that run optical discs piracy businesses in Hong Kong. The rigorous enforcement actions throughout the years have achieved significant results. The number of retail outlets selling PODs 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 discs 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 2018, Customs officers conducted 12 inspections of licensed optical disc and stamper factories.

Actions against Internet Crime

To cope with the increasing trend of internet crime, the Department has established the “Anti-Internet-Piracy Team” (AIPT) which was further expanded in 2014 with more than 40 investigators dedicated to fight against internet crimes. Up to December 2018, the AIPT detected 1 532 internet cases, arrested 1 813 persons and seized infringing articles and computer equipment worth HK\$28.57 million. The Department has developed with the University of Hong Kong over the years different monitoring systems for online surveillance of illegal activities to cope with the rapid changes in the technology of online economy. In December 2017, the Department launched a new system named the Big Data Analytics System to perform automatic cross-platform cyber patrol, analyse mass information on different internet platforms and identify prevailing and emerging trends of online IPR crimes.

To cope with new enforcement challenges arising from advancement in cyber technologies, the Department set up the Electronic Crime Investigation Centre (ECIC) in February 2013. The ECIC aims to strengthen research into the latest modus operandi of cybercrimes, formulate enforcement strategies and procedures on evidence collection for front-line enforcement officers, conduct training courses on retrieval and preservation of digital evidence for front-line officers and conduct research on online investigation systems. The ECIC obtained the ISO 9001:2015 Quality Management System Accreditation in February 2017, demonstrating its commitment to quality and compliance with the international standard.

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. In addition to 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 366 cases of corporate use of pirated works, arrested 739 persons and seized items worth HK\$19.97 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 111 circumvention cases and arrested 159 persons.

Actions against Counterfeit Goods

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

In 2018, the Department detected 896 forged trademark cases under the Trade Descriptions Ordinance. A total of 663 persons were arrested. With a value of HK\$98 million, the seized goods were mainly electrical and electronic products, pharmaceutical products, clothing and leather goods, accounting for about 60 per cent in terms of seizure values.

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 maintains 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 cases of counterfeit wine.

Actions against Medicines Counterfeiting

With a view to enhancing the deterrent effects on the cross-border traffic of counterfeit medicines through postal channel, the Department is working closely with overseas enforcement agencies to backtrack the source of supply of the seized counterfeit medicines for follow-up investigation. The Department also cooperates 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 continues to update the list of dispensaries regularly. Up to December 2018, a total of 127 dispensaries were 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 14 IPR cases (eight copyright cases and six counterfeit cases), with some HK\$133 million worth of crime proceeds/assets restrained. This enforcement approach has effectively clamped down on 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 IPR, 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 multifarious perspectives.

Since its establishment in early 2013, ECIC has been deploying resources to conduct insightful research on potential electronic crimes and seeking opportunities to organize training programmes and sharing sessions with overseas law enforcement agencies, business counterparts as well as academic institutes. In July, August and October 2018, the ECIC delivered four sessions of training to Macao Customs on cyber investigation skills. The course content included techniques on cyber investigation against IPR infringing activities and application of cyber investigation tools with hands-on exercises. The training also provided an excellent opportunity for both parties to share knowledge and exchange experience in application of new cyber technologies to combat online IPR crimes.

In 2018, 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. As at end of 2018, 76 organizations of the IPR sector have joined the 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 of IPR protection. Also, the Department joined hands with the Mainland/overseas IPR enforcement agencies to organize a series of special seminars for IPRPA members. Specialists and professionals from the IPR industry were invited to share their knowledge and experience on IPR protection with IPRPA members.



Assistant Commissioner of Customs and Excise (Intelligence and Investigation), Mr Ellis Lai delivered opening remarks in an IPRPA seminar in February 2018.

- 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. In September 2018, the Department together with an online marketplace operator rolled out an educational campaign. The educational campaign aimed at raising the public awareness of criminal liability for selling infringing goods on the internet. In this educational campaign, e-banners and listings were displayed in the platform for appealing the platform users to report suspicious infringing product listings to the Department and not to sell infringing goods online.
- The “Fast Action Scheme” launched jointly with the Hong Kong Brands Protection Alliance 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 are 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 122 major exhibitions and trade fairs, leading to the detection of 179 infringement cases and the arrest of 214 persons.
- 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 the 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 to 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 the Hong Kong Association of the Pharmaceutical Industry.
- Reward Scheme to Combat Illegal Photocopying of Books and Periodicals – sponsored by the Hong Kong Reprographic Rights Licensing Society.
- Reward Scheme to Combat Illegal Photocopying of Newspapers and Magazines sponsored by the Hong Kong Copyright Licensing Association.

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 of and respect for IPR protection is equally important.

In collaboration with 13 local youth uniformed groups (YUGs) and the IPR sector, the Department has run the “Youth Ambassador Against Internet Piracy Scheme” (YAS) since its first launch in 2006. Over 250 000 members of the YUGs have joined the scheme to promote a sense of respect for copyrighted works among young people.

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

- With the support from the Education Bureau and the IPD, the Department delivered IPR Enforcement School Talk to 23 local secondary schools covering over 5 700 students in 2018.

- IPR exchange visits between secondary school students of Hong Kong and Guangdong Province were held in April and May 2018 respectively.



Youth Ambassadors visited Zhuhai City in April.



Youth Ambassadors attended a sharing session on IPR knowledge with students of Zhuhai City in April.

- IPR Badge Programme for Youth Ambassadors

As the YAS reached the 10th anniversary, the Department launched a new initiative, namely the IPR Badge Programme for Youth Ambassadors, in July 2016. The Department organizes the IPR Badge Programme with a broad base of support from different government departments, education institutions and the private sector. It is a tailor-made, comprehensive and 3-level progressive youth programme to tie up with the latest social and technological development to reinforce the importance of respecting IPRs.

Following the successful launch of the Foundation Course in July 2016 and the Advanced Course in August 2017, the Department introduced the highest level of course under the Programme, the Tutor Course, in July 2018 with the participation of 30 Youth Ambassadors. The Tutor Course was built upon the successful foundation of IPR knowledge laid in the previous two courses and aimed at equipping the participants with essential knowledge of IPR protection to become a competent tutor to assist the Department, other relevant government departments and youth organizations in spreading the positive message of respecting IPR after their graduation. The course started with a four-day study visit on IPR in Korea co-organised by the Department and the Korea Customs Service. The participants stayed at the Customs Border Control Training Institute of the Korea Customs Service and learnt how the Korean Government and related organizations protect IPR and promote the development of their creative industries. In the subsequent two-day activities in Hong Kong, apart from having the opportunity to have a face-to-face dialogue with a magistrate and counsel from the Department of Justice, the participants also attended training on presentation skills and seminars in relation to customs law enforcement.

The Tutor Course's Graduation Ceremony was conducted on 14 July 2018 at the Customs Headquarters Building. A total of 30 Youth Ambassadors were awarded the Certificate of Completion and became the first batch of IPR tutors. They will play an important role in IPR promotion and education activities organised by the Department and various youth uniformed groups in the future.



Youth Ambassadors attended a four-day study visit on IPR in Korea in July.



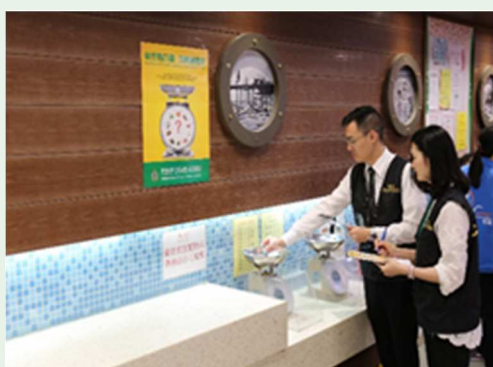
Principal guests, leaders of the YUGs and Youth Ambassadors in the Graduation Ceremony held in July.

7. Consumer Protection

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

Weights and Measures Ordinance

To weed out dishonest sale of short-weighted items, the Department conducted 1 749 spot checks and 422 investigations in 2018 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 involve comparatively more complaints concerning short weight continue to be the targets of the Department's enforcement actions. In 2018, prosecution was taken in 19 cases and warning letters were issued in 29 cases involving contravention of the Weights and Measures Ordinance.



Customs officers conducting equipment check on the accuracy of a spring balance used by a retailer



Customs officers checking the accuracy of a diesel dispenser by pumping out a pre-determined volume of fuel into a fuel-testing container

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

The Department conducts 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 2018, 3 096 spot checks and 345 investigations were conducted and 15 prosecution cases were concluded. Besides, the Department issued 23 Prohibition Notices prohibiting the supply of unsafe products, ranging from laser pointer, wireless headphone, drawing board and magnetic Chinese chess. To promote public's awareness of toy safety, especially festive toys, the Department

conducted ad-hoc spot checks onto Mid-Autumn Festival toys in September 2018 and distributed informational pamphlets to consumers.



Customs officer conducting patrol and distributing pamphlets alerting consumers to toy safety

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, kindergartens, schools of mid-wifery and maternal and child health centres 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 (the 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.

To protect consumer interests and honest traders, the Department had taken stringent enforcement in combating unscrupulous traders employing unfair practices. In order to maximize the enforcement effectiveness, the Department adopted a risk-based approach and set investigation priorities with regard to various factors including identified risks and intelligence, new and emerging trends as well as public concern. The Department also paid particular attention to repeated offenders and contraventions which significantly undermine consumer interests.

Enforcement

In 2018, the Department received 10 818 (4 327 on goods and 6 491 on services) unfair trade practices-related complaints, most of which involved foodstuff, medicine, regulated electronic products, travel, beauty and fitness services. The number of investigations completed were 1 774 (1 726 on goods and 48 on services), including 1 643 preliminary investigations, 66 of which led to prosecution and four concluded with administrative action, as well as nine cases with written undertakings accepted by the Customs and Excise Department.



Hong Kong Customs seized 68 melons with a suspected false claim of origin and an estimated market value of about \$1,775 from three fruit retailers in Mong Kok and Sham Shui Po.



Hong Kong Customs seized 1 371 electric tooth polishers with a suspected false trade description from a chain retailer with an estimated market value of about \$560,000.

Significant cases in different commercial sectors were detected, including misleading pricing of goods at ginseng and dried seafood shops; sales of passing-off items at medicine shops; misleading omissions practice of hiding commercial intent by an agent of a beauty parlor; false trade descriptions of service provided by a travel agency and a renovation service provider; bait advertising by an education centre and a Japanese

restaurant; bait and switch commercial practice by a beauty parlor and a travel agency; as well as wrongly accepting payment of fees by a car repair and beauty service centre, etc. In 66 prosecution cases, 42 persons and 30 companies were convicted of unfair trade practices offences, with punishment including fines between HK\$1,000 and HK\$130,000; imprisonment between two weeks (suspended for one year) and six months (suspended for three years); Community Service Order for 80 hours to 240 hours. In a few cases, the court ordered the convicted persons to pay the victims to compensate for their financial loss resulting from the offences. With the consent of the Secretary for Justice, the Department accepted nine written undertakings from six Chinese restaurants, a chain bakery, a health and beauty chain store and a retailer of electrical appliances. A total of four warning letters and 66 advisory letters were issued to remind the concerned traders about their obligations to comply with the fair trading sections under TDO.



Dried fish maw seized in a false trade description case



Passing-off items seized in a false trade description case

In 2018, the Department carried out 4 023 spot checks against retail shops, including those frequented by overseas and Mainland visitors. During long holidays such as Labour Day Holiday Golden Week, National Day Golden Week and Lunar New Year, Customs officers conducted high-profile patrols in popular tourist shopping areas to deter unfair trade practices and promote smart shopping tips to tourists. Meanwhile, Customs officers patrolled various trade fairs and exhibitions to deter dishonest sales and to ensure traders' compliance with the laws.



An operation codenamed "Aurora" was launched to enhance consumer protection work during the National Day Golden Week period. Photo shows Customs officers distributing pamphlets in Causeway Bay.

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 88 occasions to handle urgent complaints.

Publicity and Education

To help traders understand the fair trading sections of TDO and the consequences of non-compliance, 290 seminars/briefing sessions were delivered to retailers, exhibitors, employees of beauty/fitness industries, non-government organizations/associations, elderly centres and the public. In view of the recent upsurge in complaints against the beauty/fitness industries about adopting aggressive commercial practices, the Department took the initiative to invite the chairpersons of beauty associations and directors/company management of fitness centres for meetings. The purpose of the meetings is to encourage them to convey the important messages of complying the TDO and upholding the integrities of the trade to their members/staff. Besides, pamphlets were distributed to the public, retail shops, exhibitors and tourists so as to draw their heed to the Amendment Ordinance.

The Department conducted press interviews on the prevalent unfair trade practices in various industries such as food and catering industry in January 2018, renovation service, travel service and ginseng and dried seafood in May and September 2018 with the aim of alerting consumers to beware of falling prey to dishonest traders.

To raise public awareness of consumer rights and to remind retailers of their legal obligations, the Department launched publicity campaigns by distributing pamphlets with the salient points of 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, the Department of Health, the Food and Environmental Hygiene Department and exchanged information on unfair trade practices with the Consumer Council, the Travel Industry Council of Hong Kong, the Hong Kong Tourism Board, the Hong Kong Trade Development Council and other stakeholders to better protect consumer interests.

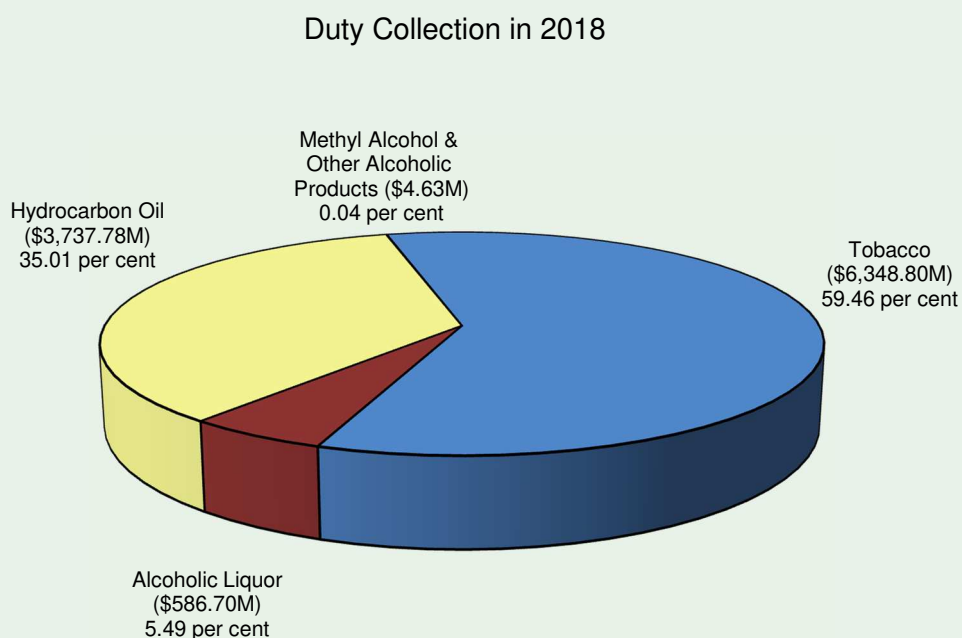


An education-oriented seminar to traders of beauty service

8. Revenue Collection and Protection

Revenue

In 2018, excise duties collected amounted to HK\$10,677.91 million, including 59.46 per cent from tobacco, 35.01 per cent from hydrocarbon oil, 5.49 per cent from alcoholic liquor and 0.04 per cent from methyl alcohol and other alcoholic products. The revenue collected in 2018 increased by 0.83 per cent compared to 2017. The percentage distribution of duty collection by commodities is shown in the diagram.



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 facilitate legitimate business activities. Operating cost of the trade has been much lowered because of the facilitation. Under 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 88 in December 2018.



Compliance check at a bonded warehouse



Surprise check on devanning of dutiable goods

Vehicle Valuation

Ever since the Motor Vehicles (First Registration Tax) Ordinance (the Ordinance) was amended to change the taxable value of vehicles as the amount to be calculated on the basis of retail price in 1994, the Department 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 roads has been on steady increase. With strengthened capability for value assessment and on-site inspection, progress has been made in tackling evasion of FRT. In 2018, the number of vehicles first registered by the Transport Department was 61 597 and the amount of FRT collected was HK\$9.44 billion with an increase of 13.19 per cent against last year.

In 2018, there were a total of 43 vehicle companies and persons prosecuted for contravening the Ordinance, including sole distributors, parallel-importers and individuals with 81 vehicles involved. Compared with 2017 where 33 vehicle companies and persons were prosecuted with 81 vehicles involved, the increase of the figure was largely attributed to the surge of cases involving late submission of import return, the offence of which is considered as technical in nature. Generally speaking, malpractices of the trade were continuously brought under control and the number of cases of selling vehicles at a price higher than the approved price was maintained at a low level. In 2018, the Department continued to launch a series of publicity programmes, which included outreach visits, experience-sharing sessions,

customers' liaison group meetings and a large-scale seminar on best practices of the motor trading business, to promote traders' awareness of legal liabilities. Besides, the Department further stepped up its publicity by disseminating key messages to the public through electronic platforms (i.e. mobile app "HK Car Tax" and FRT system) with a view to enhancing public awareness of the statutory requirements under the Ordinance. Through these measures, coupled with enhanced market research of vehicle prices, strong enforcement actions and intensive on-site vehicle inspection, the Department has effectively combated FRT evasion and protected the rights of vehicle buyers.

Illicit Fuel

Illicit fuel activities continue to reduce in magnitude. There have been fading trends of smuggling duty-not-paid light diesel oil from the Mainland 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. The continuous and active enforcement actions over the years have achieved the deterrent effect, resulting in a noticeable decline of such activities. Currently, only a few illicit fueling stations are being operated in a sporadic manner in remote areas of the New Territories. With the persistent enforcement actions of the Department, illicit fuel activities have been effectively contained. In 2018, 12 cases were detected with 8 800 litres of illicit fuel (excluding export cases) seized, representing an increase of 1.1 fold in seizures over 2017.

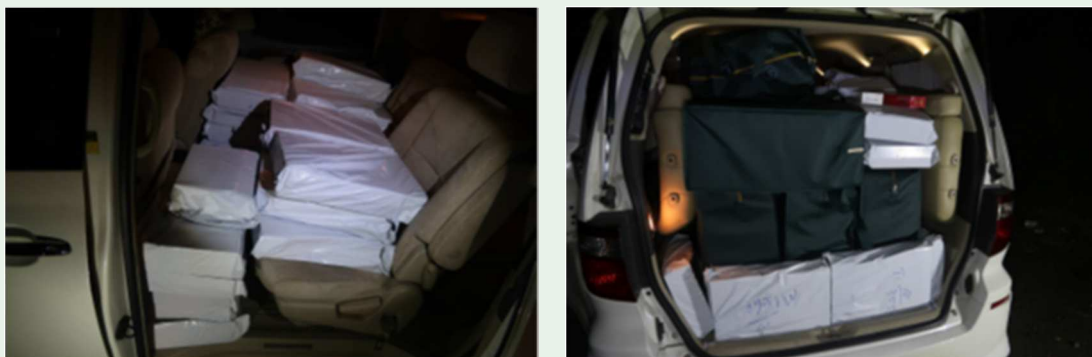
Illicit Cigarettes

The Department effected 13 582 illicit cigarette cases with the seizures of 53 million cigarettes and the arrests of 13 040 persons in 2018. The total value of the seized illicit cigarettes was HK\$142 million and the duty potential was HK\$102 million. As compared with the preceding year, both the number of cases and arrests increased by 71 per cent and 63 per cent respectively. Among the seizures, about 53 million sticks were related to local illicit cigarette activities, representing a decrease of about 12 per cent as compared with 2017, as a result of the strategy of stepping up enforcement at source.



An Illicit cigarette storage centre was smashed.

Telephone ordering has taken over street peddling to become the predominant distribution channel of illicit cigarettes. To suppress such activities, two dedicated task units were formed in 2012 and 2013 to collect and analyze intelligence and mount special operations. The outcome achieved was impressive, with 412 cases involving 5 million illicit cigarettes seized and 417 persons arrested in 2018.



A delivery vehicle for telephone ordering of illicit cigarettes was intercepted.

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 Strategic Trade Control System, the Import and Export Declaration System and the Kimberley Process Certification Scheme to discharge its international obligations and comply with multilateral trade agreements. Through 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. To uphold the credibility and integrity of the System, the Department conducts pre-registration inspections on factories applying for Certificate of Origin (CO) to authenticate their production capacities. Also, periodic inspections are carried out on the factories to ensure their continuous compliance with registration conditions, and consignment checks on goods covered by CO applications. In this connection, the Department conducted 440 factory inspections and consignment checks in 2018.

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 Trade and Industry Department, vigorously enforce 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.

In combating illegal diversion of strategic commodities, the Department carries out licence checks to verify the authenticity of information given in the import and export licence applications and conducts checks on the disposal of imported consignments to ensure that articles imported are used as declared. In 2018, the Department conducted 1 289 import licence checks, 2 238 export licence checks and 789 disposal checks.

During 2018, the Department also mounted four rounds of special operations against the unlicensed shipments of controlled integrated circuits. As a result, eight cases were effected with a total of 3 374 pieces of controlled integrated circuits intercepted. In the year, the Department investigated 285 cases and prosecuted 59 persons / companies leading to a total fine of HK\$0.94 million and the forfeiture of offending goods in value of HK\$1.45 million. The value of the goods involved in the prosecution cases was HK\$16.4 million.

Outreach Training

The Department conducted four outreach training sessions for the frontline staff of four courier companies to enhance their knowledge in strategic trade control.

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. With effect from 1 August 2018, the charge for each import and export declaration is capped at \$200. For exports of Hong Kong manufactured clothing items (including footwear) specified in the Schedule 1 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 20.58 million declarations and collected HK\$873 million import and export declaration charges / clothing industry training levies / late penalties in 2018. Short-paid declaration charges / clothing industry training levies recovered and late/administrative penalties imposed amounted to HK\$14.9 million. The Department also received around 8 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 has organized 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 12 educational seminars for 206 traders and carriers/forwarders in 2018. Furthermore, the Department will continue 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.



Officer delivering an educational seminar to traders and carriers/forwarders

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 2018, the Department received one request involving under-valuation of goods.

Closer Economic Partnership Arrangement (CEPA) - Trade in Goods

Since the implementation of CEPA on 1 January 2004, 1 901 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 2018, a total of 13 349 applications for CO(CEPA) were received. Of these applications, 13 062 CO(CEPA)s at a total value of HK\$9.5 billion were issued. These applications covered a wide range of products, the top five of which in terms of value were food and beverage, plastics and plastic articles, textiles and clothing, pharmaceutical products and chemical products.

Charged with the enforcement duties of the CEPA Certification System, the Department conducted consignment checks against 1 641 applications for CO(CEPA) and examined 70 CEPA consignments at various cargo exit points in 2018.

Kimberley Process 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 82 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 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 789 consignment inspections and seven investigations on rough diamonds during the year.

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 4 537 inspections, investigated 57 cases, prosecuted nine persons / companies, resulting in a fine of HK\$0.04 million in 2018. In these cases, the value of the rice and mixed grains involved was HK\$0.46 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 Trade and Industry Department implemented a registration arrangement for local importers of cereals and grain flours from the Mainland in early 2008. To support the arrangement and to ensure the cereals and grain flours imported from the Mainland were solely for local consumption, the Department conducted 153 inspections/verifications and six investigations in 2018. The value of the goods involved in the investigation cases amounted to HK\$0.73 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 2018, the Department mediated in 35 cases and five of them were successfully settled.

Anti-money Laundering and Counter-financing of Terrorism

To better align Hong Kong's anti-money laundering and counter-financing of terrorism 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. The AMLO was amended and retitled as the Anti-Money Laundering and Counter-Terrorist Financing Ordinance which has become effective since 1 March 2018. 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). In addition to administering the statutory licensing regime, the Department supervises the licensed MSOs and the PMG through ongoing supervision of their compliance with customer due diligence and record-keeping requirements. Any non-compliance with the statutory requirements may be liable to criminal and/or civil sanctions. The Department also spares no effort in detecting and investigating unlicensed MSOs and other licence-related offences.

As at 31 December 2018, there were 1 496 licensees on the Register of MSOs with 1 960 licences renewed since the commencement of the renewal exercise in February 2014. By way of a risk-based approach, 811 licensed MSOs had been selected for compliance inspection, with nine of them found having failed to comply with the statutory requirements. Investigations on the nine non-compliant cases were concluded. Among the nine licensees, five of them were prosecuted with four licensees fined a total of HK\$0.27 million and one licensee being ordered a 200-hour Community Service Order by the court. The remaining four cases ended up with written warnings. Regarding disciplinary actions against non-compliant licensees, one licensee was publicly reprimanded by the Commissioner of Customs and Excise in 2015, and another licensee was ordered to pay a pecuniary penalty of \$21,000 in November 2017. Another four disciplinary cases were in progress, among them one non-compliant licensee had been served with a notice to take disciplinary action. In 2018, the Department prosecuted four cases of unlicensed operation of money service, leading to a total fine of HK\$96,000.

Hong Kong was scheduled to undergo a mutual evaluation of anti-money laundering and counter-terrorist financing regime conducted by the Financial Action Task Force (FATF) in 2019/2020. In November 2018, the Assessment Team of the FATF conducted on-site assessment on the Department's MSO regulatory regime as part of the mutual evaluation of Hong Kong.

10. Customs Co-operation

World Customs Organization (WCO)

In 2018, the Department continued its active participation in the WCO fora, including the Council Sessions and meetings organized by the WCO working bodies including the following:

- Permanent Technical Committee
- Enforcement Committee
- Secure and Facilitate Global Trade (SAFE) Working Group
- Technical Experts Group on Air Cargo Security
- Integrity Sub-Committee
- Information Management Sub-Committee
- Capacity Building Committee
- Working Group on Revenue Compliance and Fraud
- Counterfeiting and Piracy Group



Commissioner of Customs and Excise, Mr Hermes Tang (front row, right), led a delegation to attend the 132nd Session of the Customs Co-operation Council in Brussels, Belgium in June 2018.

At regional level, the Department was likewise active in attending the following meetings hosted by the WCO Asia/Pacific Vice-Chair to foster dialogue, co-operation and networking.

- WCO Asia/Pacific Regional Heads of Customs Administrations Conference
- WCO Asia/Pacific Regional Contact Points Meeting

The Department rendered full support to WCO's activities, and took part in the seminars and workshops relating to the promotion of customs capacity building, customs integrity, trade facilitation, anti-piracy, environmental issue and global supply chain security. For enforcement activities, the Department actively participated in various operations coordinated by the WCO.

To extend our staunch support to the WCO, the Department has deployed an officer to the WCO Compliance and Facilitation Directorate to work as Technical Attaché since September 2012.

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

In 2018, the Department continued to provide strenuous support to RILO A/P by seconding an officer to work as Intelligence Analyst. The Department and RILO A/P are the joint coordinators of the Focus Area "Compliance and Enforcement" of the WCO A/P Regional Strategic Plan 2018-20. Under the coordination of RILO A/P, the Department exchanges intelligence with customs counterparts for investigation into suspected cases of customs crimes.

The Department has also taken part in major projects of RILO A/P, namely "Project Crocodile", "Project Sky-Hole-Patching", "Drugs Seizures Immediate Notification System (DSINS)" as well as "Operation CATalyst 2" respectively against cigarette smuggling, environmental waste smuggling, dangerous drugs trafficking by air and sea transport, and trafficking of new psychoactive substances. In 2018, the Department kept fostering co-operation and participating in enforcement activities at regional and international levels, such as "Operation Demeter IV" against illicit cross-border shipment of hazardous waste, "Operation RITEP" against smuggling of illicit tobacco and "Operation Thunderstorm" to combat illegal trade of wildlife and timber in the region.

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

The Department has been working closely with the WCO ROCB A/P and supportive to their initiatives. An officer of the Department has been seconded to ROCB A/P in Bangkok as Technical Attaché since 2011 to coordinate capacity building activities for the Southeast Asian countries.

In the capacity building domain, the Hong Kong Customs College (formerly known as the Customs and Excise Training School) has been accredited as one of the seven WCO Regional Training Centers (RTCs) in the A/P region since 2004. It has been providing staunch support to the WCO and the ROCB A/P for the capacity building efforts in the region.

Asia Pacific Economic Co-operation (APEC)

In 2018, the Department participated actively in various APEC meetings and events in Papua New Guinea.

At the 1st and 2nd APEC Sub-Committee on Customs Procedures Meetings held respectively in February and August 2018, the Department shared views with member economies on the World Trade Organization Trade Facilitation Agreement, Authorized Economic Operators (AEO) Programme, and the Intellectual Property Rights enforcement. The Department also delivered a presentation on the updates of the Hong Kong AEO Programme.



Assistant Commissioner of Customs and Excise (Excise and Strategic Support), Mr Jimmy Tam, led a delegation to attend the 2018 1st APEC Sub-Committee on Customs Procedures Meeting held in Port Moresby, Papua New Guinea in February 2018.

Co-operation with other Customs Administrations

Overseas Customs Administrations

- **Enhanced co-operation between Hong Kong Customs and Fiji Customs**

On 24 October 2018, Hong Kong Customs signed a Customs Co-operative Arrangement (CCA) regarding co-operation and mutual administrative assistance with the Fiji Revenue and Customs Service at the Customs Headquarters Building in Hong Kong to pledge further collaboration in combating transnational Customs offences.

The CCA, signed by the Commissioner of Customs and Excise of Hong Kong, Mr Hermes Tang, and the Chief Executive Officer of the Fiji Revenue and Customs Service, Mr Visvanath Das, reflects both sides' wishes to strengthen co-operation in intelligence exchanges and law enforcement by means of mutual administrative assistance in battling transnational crimes.



Commissioner of Customs and Excise, Mr Hermes Tang (right), and Chief Executive Officer of the Fiji Revenue and Customs Service, Mr Visvanath Das (left), signed the CCA regarding Co-operation and Mutual Administrative Assistance in Hong Kong.

Mainland and Macao Customs

- **The 2018 Review Meeting with the General Administration of Customs of the People’s Republic of China (GACC) in Beijing**

On 28 November 2018, the 2018 Review Meeting between the GACC and Hong Kong Customs was held in Beijing. The Meeting reviewed the implementation of the co-operative plans over the past two years and recognised the remarkable achievements made on Customs clearance facilitation, anti-smuggling, intelligence exchange, development of new boundary control points and staff training during the period. In order to give full support to the Greater Bay Area development, the two Customs administrations also reached a consensus on the co-operative plan for the year 2019-2020, under the principles of “information exchange”, “mutual recognition of regulations” and “mutual assistance in law enforcement”.



Commissioner of Customs and Excise, Mr Hermes Tang (third right) and Vice Minister of the GACC, Mr Li Guo (third left) attended the 2018 Review Meeting between Hong Kong Customs and the GACC in Beijing.

- **The 35th Annual Meeting with the Macao Customs Service (MCS) / Macao Economic Services in Macao**

On 7 December 2018, the 35th Annual Meeting between the Hong Kong Customs and MCS / Macao Economic Services was held in Macao. The Meeting reviewed the co-operation outcome in the aspects of protection of intellectual property rights, combating cross-boundary drug trafficking and smuggling activities, as well as exchanged views on Customs clearance matters at the Hong Kong-Zhuhai-Macao Bridge and the implementation of the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance. The both sides also pledged for promoting closer co-operation in various initiatives. The Meeting was effective in enhancing mutual exchange and strengthening co-operation between the two Customs administrations.



Commissioner of Customs and Excise, Mr Hermes Tang (front row, fourth left), Deputy Director-General of the MCS by that time, Mr Ng Kuok Heng (front row, fourth right), and delegation members in a group photo

11. Information Technology

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



Data Centre staff conducting system maintenance checking on computer servers in Customs Headquarters Building

Electronic Systems in Trade Facilitation

The Department is committed to promoting e-business via development of platforms to facilitate electronic submission of selected trade documents and application of certain licences. In this regard, the Road Cargo System, the Money Service Operators Licensing System and the Dutiable Commodities System were fully launched in 2011, 2012 and 2017 respectively to facilitate traders' compliance with the relevant legal requirements.

The first mobile application of the Department, namely, "Hong Kong Car Tax", was successfully launched on 30 May 2014. The mobile application is one of the enhanced features of the Motor Vehicles First Registration Tax (FRT) System. Among other things, it provides both traders and purchasers with basic information of published retail price (PRP), calculation of FRT and online function for checking the approved PRPs.

Development of a New Electronic System for Intelligence and Risk Management

In May 2016, the Finance Committee of the Legislative Council approved funding

application of HK\$38 million to implement a Customs and Excise Information and Risk Management System (CEIRMS), featuring a centralised repository of investigation findings, intelligence, risk management products and trader records with analytical tools. With the system rollout on 30 June 2018, the CEIRMS replaces the obsolete Customs and Excise Intelligence System and Single Trader Database. It also facilitates the Department's core business of crime investigation and enhances the risk management capability in cargo clearance.

Development of a New Declaration System for Importation / Exportation of Currency and Bearer Negotiable Instruments (CBNIs)

To support the implementation of the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance, Chapter 629, Laws of Hong Kong in July 2018, a Currency and Bearer Negotiable Instruments Declaration System (CDS) was launched on 3 July 2018 to receive advance electronic declarations from cargo declarants on large quantity of CBNIs which are imported into or exported from Hong Kong as cargo consignment.

Computer Facilities for New Control Points and Customs Facilities

Computer facilities and IT equipment will be provided to support future Customs operations at Heung Yuen Wai Boundary Control Point, Tuen Mun Customs Marine Base, Intermodal Transfer Terminal and Three-Runway System scheduled for commissioning from 2019 to 2024.

Computer Forensic Laboratory (CFL)

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

CFL was the first government computer forensic laboratory accredited with international management standards. Since 2006, CFL has been accredited with ISO 9001 on Quality Management and ISO 27001 on Information Security and successfully established a set of standards on integrity and professionalism so that the recognition

for the expert advice given by its forensic staff and credibility of the Department's computer forensic service in court were considerably enhanced.



CFL staff collecting digital evidence at crime scene

Since its establishment, CFL has processed 1 151 cases involving 1 089 servers / computers, 3 594 hard disk drives, 827 optical disc replicating machines, 1 214 mobile phones and various kinds of digital data storage media such as memory cards, USB flash drives and SIM cards (the total data size is approximately 1 080 TB) that involved intellectual property rights infringement, internet piracy, money laundering, drug trafficking, smuggling, false trade descriptions and revenue frauds.

12. 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, including :

- Heung Yuen Wai Boundary Control Point
- Three-Runway System
- Intermodal Transfer Terminal

Heung Yuen Wai Boundary Control Point (HYW BCP)

The Heung Yuen Wai Boundary Control Point (HYW BCP), which is expected to become operational by end of 2019, will help to redistribute cross-boundary traffic amongst other existing crossings and alleviate congestion. It adopts "direct access" and "2-storey concept" design with a footprint of about 23 hectares on the Hong Kong side. Facilities for goods vehicles and a public transport interchange are located on the 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.

Three-Runway System (3RS)

To meet future air traffic growth and maintain Hong Kong's competitiveness as an international aviation hub, the Airport Authority Hong Kong (AAHK) will expand the HKIA into the Three-Runway System (3RS). Construction of 3RS has commenced since August 2016. The target completion date will be at the end of 2024.

Development of the 3RS mainly includes building of a new runway, taxiways and apron with 57 new parking positions, building of a Third Runway Concourse, expansion of the existing Terminal 2 to provide arrivals and departures, building of a new high-speed Baggage Handling System and a new Automated People Mover system connecting Terminal 2 with the new passenger building. Upon the completion of the 3RS, HKIA will be able to serve 30 million additional passengers annually.

Intermodal Transfer Terminal (ITT)

The AAHK is planning to develop an Intermodal Transfer Terminal (ITT) to meet the anticipated demand from additional transfer passengers at HKIA following the opening of HZMB.

Development of the ITT includes the expansion and modification of the existing SkyPier and a bonded road linking to the Hong Kong Boundary Crossing Facilities of HZMB. The targeted completion date will be in the fourth quarter of 2022.

13. Administration

Human Resource 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.



Mr. Albert So, Practicing Solicitor and Chairman of the Hong Kong Mediation and Arbitration Centre, was invited as guest speaker for a Departmental Seminar.



President of the Hong Kong Stroke Fund, Dr. FONG To-sang, Dawson was invited as guest speaker for a Departmental 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. Three series of Mental Health related courses and one workshop on Handling of Problem Gambling were organized in 2018. The subjects of staff integrity are incorporated into various training programmes for both induction trainees and serving officers of different levels. E-learning programmes and training videos on integrity have also been developed to promote the integrity awareness of staff.

Promotion of Occupational Safety and Health (OSH)

1) OSH Gold Award

In the 17th Hong Kong OSH Award 2018 organised by the OSH Council and the industry, the Department strived for excellence with determination in every stage of the competition and eventually won the “Safety Promotion Gold Award”. The Gold Award recognised the Department’s sustainability in its promotion of OSH through the joint dedication and commitment by both the management and the staff.



Secretary for Labour and Welfare Dr LAW Chi-kwong, GBS, JP (back row, centre) is pictured with the representatives from the Department.

2) OSH Photo Competition

To keep on refreshing OSH promotion, a “Day & Night OSH Digital Photo Contest” was organised in 2018 to encourage staff to make len capture of moments of their perfect match of daily work with OSH culture. The contest was well-received with a total of 125 entries pouring in to compete for prizes in the “professional” and “mobile phone” categories.



Commissioner of Customs and Excise, Mr. Hermes Tang (1st right) attended the award presentation ceremony of “Day & Night OSH Digital Photo Contest”.

Welfare, Sports and Recreation

In 2018, the Departmental Sports and Recreation Club organized over 320 sports and recreational events including charitable activities, training classes, performances and inter-command competitions for staff and their families.



Sports Day 2018

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 2018, there were 91 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.

Yau Yue Wan Customs Staff Quarters

Yau Yue Wan Customs Staff Quarters in Tseung Kwan O was completed in 2018 and provides 136 units of departmental quarters (DQ) for C&ED officers. Marking a new page in the DQ development, it is the first departmental quarters project for Customs Officer Grade officers with planning essentially formulated by the Department. The proposal was first brought up in 2010. With the support from the local District Council and the funding approval from the Legislative Council, construction works commenced in 2015. The project was completed in 2018.

The project comprises 28 F-grade (70 square metres) units and 108 G-grade (55 square metres) units. The DQ site provides a children's play area and a multi-function room for the occupants. The completion of the DQ project relieved the immediate demand of DQ of the Customs Officer Grade officers. Over 65% of the DQ units of the project were allocated to officers who joined the Service after 2000, and the most junior one was recruited in 2013.



Yau Yue Wan Customs Staff Quarters with 136 units



Children's play area in Yau Yue Wan Customs Staff Quarters

14. Training and Development

To sustain the professionalism and expertise of its staff and to develop them throughout their careers, the Department takes 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.



Hong Kong Customs College (formerly known as The Customs and Excise Training School)

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 throughout the year to enhance the core competencies and functional competencies of officers. 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 142 officers to attend different training and attachment programmes hosted by academic institutions, customs organizations and law enforcement administrations in the Mainland and overseas in 2018.



Customs Command Course

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, Hong Kong Customs College (formerly known as 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.



Foot Drill

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 familiarize them 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.



Physical Fitness Training



Firearms Training

To provide quality training and further enhance the professionalism of C&ED, CETS put in great efforts in preparing for accreditation under the Qualification Framework (QF). In December 2018, the Inspector Induction Course and the Customs Officer Induction Course were successfully accredited after professional assessment by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications and entered into the Qualifications Register. CETS was renamed as Hong Kong Customs College (HKCC) with effect from 1 January 2019.

Graduates admitted from 1 January 2019 onwards will be awarded “Professional Diploma in Customs Management for Inspectors” at QF level 5 (pitched at the same QF level as a local Bachelor’s Degree) or “Professional Diploma in Customs Operations for Customs Officers” at QF level 4 (pitched at the same QF level as a local Associate Degree or a Higher Diploma) by the College.

Personal Development of Staff

The Department advocates a schematic approach whereby senior and middle managers are nurtured through a designated roadmap. In 2018, three senior officers attended advanced leadership / management development programmes at renowned overseas institutes and 36 officers attended national studies training 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 training, the departmental Corporate Portal paves way for individual officers to achieve self-learning through studying the e-Learning programmes at their own paces.

The Department also collaborates with the Civil Service Training and Development Institute to deliver e-Learning through the Cyber Learning Centre Plus, with 43 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.



Training on e-Learning

Regional Training Centre (RTC) of the World Customs Organization (WCO)

As one of the WCO RTCs in Asia Pacific, HKCC plays an active and significant role in supporting the WCO's capacity building initiatives. RTC Hong Kong will continue to provide staunch support to the WCO and the ROCB A/P for the capacity building efforts in the region.

Mutual Training Assistance

Interaction among counterparts in the global customs community is a key to successful enforcement outcomes. In 2018, the Department sent 125 officers to receive training from or undergo attachment to other customs organizations and law enforcement administrations and provided training to 34 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 2018, seven tailor-made courses such as “Basic Risk Assessment”, “Competence in Manual Handling”, “Safety Inspection” as well as “Driving Techniques and Safety” 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 evidence collected at crime scene.



Raiding, Apprehension and Escort Course

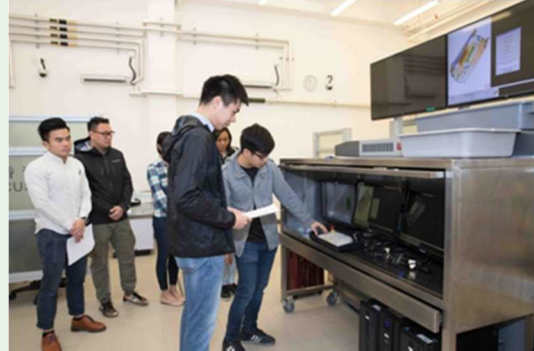


Raiding Techniques Course

The Department deploys specialized equipment such as X-ray screeners and trace contraband detectors to help frontline officers to detect contrabands. In 2018, six train-the-trainer courses were organized to develop professional trainers to train up the frontline operators to use the specialized equipment professionally.



Train-the-trainer Course on Trace Contraband Detectors



Train-the-trainer Course on X-ray Screener

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 2018, including legal training on court procedures and trial preparation, workshop on disciplinary proceedings, 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.

15. Financial Administration

Revenue

The Department collected HK\$11,477 million of revenue in 2018-19, representing a decrease of 3.1 per cent over that in 2017-18. The decrease was mainly attributable to the decrease in revenue collection from imports and exports declaration charges and cigarettes, which was partly offset by the increase in revenue collection from alcoholic beverages and hydrocarbon oils.

A summary of the revenue collected in 2017-18 and 2018-19 is at Appendix 8.

Expenditure

The total expenditure of the Department in 2018-19 amounted to HK\$4,136 million, of which Personal Emoluments, Other Recurrent Expenses and Capital Account Expenditure accounted for 73.6 per cent, 24.0 per cent and 2.4 per cent respectively. The increase in expenditure of 13.9 per cent over that in 2017-18 was mainly due to the additional requirement for the provision of customs clearance services at the new control points, the impact of the 2018 civil service pay rise, the increase in operating expenses and the additional cash flow requirement for capital account items.

A summary of the total expenditure in 2017-18 and 2018-19 is at Appendix 9.

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

	2017-18	2018-19
	HK\$M	HK\$M
(a) Control and Enforcement	2,647	3,114
(b) Anti-narcotics Investigation	235	249
(c) Intellectual Property Rights and Consumer Protection	345	355
(d) Revenue Protection and Collection	204	212
(e) Trade Controls	200	206

Seizure Management

The provision of service for the storage and disposal of seized goods is one of the major tasks of the Department. In 2018-19, the total average storage space available for accommodating seized goods and vehicles in government storehouses was 57 254 sq. metres while that for private godowns was 2 376 cu. metres.

After forfeiture, the seized goods are disposed of by auction or destruction. The Department disposed of about 56 000 items of confiscated goods in 2018-19, which included cigarettes, optical discs, drugs, fuel oil, computer equipment, vessels and vehicles. The proceeds from the sale of the forfeited goods during the period amounted to about HK\$20 million.

16. 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 seriously, 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 worthwhile.

In 2018, the number of prosecution cases amounted to 6 788, of which 4 129 (60.8 per cent) were related to the Import and Export Ordinance, 1 783 (26.3 per cent) related to the Dutiable Commodities Ordinance, 511 (7.5 per cent) related to the Trade Descriptions Ordinance, 282 (4.2 per cent) related to the Dangerous Drugs Ordinance and 93 (1.4 per cent) related to the Copyright Ordinance. A total of 6 901 persons and 270 companies were prosecuted, which resulted in total fines of HK\$25.4 million and the imposition of immediate imprisonment in 924 cases.

New Legislation

Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance (Cap.629)

The Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance has come into operation on 16 July 2018. The Ordinance aims to (i) establish a declaration and disclosure system to detect the cross-boundary movement of a large quantity of physical currency and bearer negotiable instruments into or out of Hong Kong; and (ii) to provide for the powers to restrain the movement of physical currency and bearer negotiable instruments suspected to be related to money laundering and terrorist financing.

Major Legislation Amendments

Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018

The Anti-Money Laundering and Counter-terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018 was amended and retitled as the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, and came into operation

on 1 March 2018. The major amendments relating to regulation of money service operators included changing the threshold of defining beneficial ownership; changing the record-keeping period; and introducing a provision of section 39A to require a money service operator licensee operating a money service at specified premises to display the original of the licence in a conspicuous place therein.

Toys and Children’s Products Safety Ordinance (Amendment of Schedules 1 and 2) Notice 2018

The Toys and Children's Products Safety Ordinance (Amendment of Schedules 1 and 2) Notice 2018 came into operation on 1 August 2018. The Notice amended the Schedules 1 and 2 to the Ordinance to apply the updates to four safety standards for toys and some safety standards for three classes of Schedule 2 products, namely “babies dummies”, “children’s high chairs and multi-purpose high chairs for domestic use” and “children’s paints” under the Ordinance.

Import and Export (Registration) (Amendment) Regulation 2018

The Import and Export (Registration) (Amendment) Regulation 2018 came into operation on 1 August 2018. The Amendment Regulation imposed a \$200 cap on the import and export declaration charges for lowering the cost of importing and exporting high-value goods to and from Hong Kong. The cap applies to goods imported, exported or re-exported on or after 1 August 2018.

Prosecution Summary

The past year was an eventful one with the successful prosecution and conviction of 6 292 persons and 257 companies. Details of the prosecution related figures are set out in Appendices 14-16.

Liaison with the Department of Justice

To further enhance communication and foster closer co-operation with the Department of Justice (DoJ), arrangement was made for the representatives of the DoJ to visit customs facilities and operations at the land boundary control points for their better understanding of the latest smuggling trends and Customs’ enforcement approach.

Chronicle

January 2018

- Seized 2 million sticks of illicit cigarettes with a retail value of HK\$5.3 million from an incoming cross-boundary lorry at the Lok Ma Chau Control Point. The cigarettes were concealed inside ten wooden boxes on board the vehicle.



Illicit cigarettes were concealed inside ten wooden boxes on board an incoming lorry at the Lok Ma Chau Control Point.

- Seized 6 364 mobile phones, 101 tablets, 3 493 watches, 1 023 cameras and lens and assorted goods with a retail value of HK\$9.3 million on board two open cruisers in a joint operation with the Marine Police against sea smuggling off Ng Fan Chau.



Seized mobile phones, tablets, watches, cameras, lens and assorted goods

- Seized 28.13 kg of Totoaba macdonaldi fish maw with a retail value of HK\$4.5 million from two passengers arriving from Mexico via South Korea at the Airport.



28.13 kg of Totoaba macdonaldi fish maw seized

- Seized 29 232 kg of Honduras rosewood declared as “Caucho Natural Codigo” with a retail value of HK\$2.9 million from an inbound container arriving from Guatemala.



Honduras rosewood seized

- Seized 2.1 kg of ketamine concealed in three boxes of teapot sets with a retail value of HK\$1.3 million in a parcel arriving from Malaysia at the Airport and the arrest of one person in Tseung Kwan O.



2.1 kg of ketamine concealed inside the teapot sets

- Seized 1.05 kg of crack cocaine and a set of drug manufacturing and packaging paraphernalia at a retail value of HK\$1.4 million and the arrest of five persons in Tai Po.



Crack cocaine and a set of drug manufacturing and packaging paraphernalia seized

- Mounted a joint operation with the U.S. Immigration and Customs Enforcement resulting in the seizure of 5.1 kg of ethypentylone in the US.

February 2018

- Hong Kong Customs participated in the 1st Meeting of the APEC Sub-Committee on Customs Procedures in Port Moresby, Papua New Guinea.



Participants of the 1st Meeting of the APEC Sub-Committee on Customs Procedures in Port Moresby, Papua New Guinea

- Seized a total of 893 mobile phones with a retail value of about HK\$5 million in a village house in Ta Kwu Ling. The mobile phones were intended for smuggling by the use of rope and pulling system.



Mobile phones intended for smuggling by the use of rope and pulling system

- Seized 12.1 kg of rhino horns with a retail value of HK\$2.42 million from two passengers arriving from South Africa via Qatar at the Airport. The rhino horns were smuggled by way of concealment inside aluminium foils, foam, and paper box in suitcases.



12.1 kg of rhino horns seized

- Mounted a joint operation with Anti-Smuggling Bureau of Shenzhen Customs and Shenzhen Municipal Public Security Bureau resulting in the seizure of 1.29 tonnes of cocaine with the arrest of seven persons in Panyu.



1.29 tonnes of cocaine seized

March 2018

- Seized 2.1 million sticks of illicit cigarettes with a retail value of HK\$5.6 million from an incoming lorry at the Lok Ma Chau Control Point.



Illicit cigarettes seized from an incoming lorry at the Lok Ma Chau Control Point

- Seized a total of 13 336 mobile phones with a retail value of HK\$13 million in a joint operation with the Marine Police against sea smuggling in Ma Wan.



Mobile phones seized during the operation

- Seized a total of 1 106 mobile phones with a retail value of HK\$3.9 million from an outbound light goods vehicle at Lok Ma Chau Control Point.



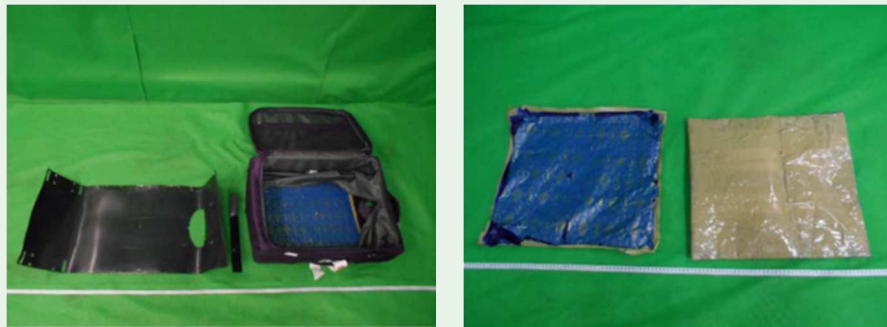
Mobile phones seized at Lok Ma Chau Control Point

- Seized 2 800 kg of pangolin scales declared to contain metal scraps with a retail value of HK\$3.3 million from a container arriving in Hong Kong from Nigeria.



Pangolin scales seized

- Seized 2 kg of methamphetamine with a retail value of HK\$1.1 million from a passenger arriving from South Africa via the United Arab Emirates (UAE) at the Airport. The methamphetamine was smuggled by way of concealment inside a false compartment of a suitcase.



2 kg of methamphetamine concealed inside a false compartment of a suitcase

- Seized 70 kg of cocaine inside five noodle pressing machines and 100 g of herbal cannabis with a retail value of HK\$6.9 million and the arrest of six persons in Hong Kong.



70 kg of cocaine seized from noodle pressing machines (part of the seizure)

- Seized 1.42 kg of heroin with a retail value of HK\$1.14 million concealed inside the shoes worn by two incoming passengers arriving from Malaysia at the Airport.



Heroin concealed inside the shoes

- Seized 2.5 kg of cocaine with a retail value of HK\$2.64 million concealed in the hidden compartment of an incoming passenger's checked suitcase arriving from Brazil via the UAE at the Airport.



Cocaine concealed inside the hidden compartment of suitcase

- Seized 1.16 kg of heroin with a retail value of HK\$1.14 million seized from two incoming passengers' waists at Lo Wu Control Point.



Heroin found at the offenders' waists

- Mounted a joint operation with the US Drug Enforcement Administration and a law enforcement agency in South Africa resulting in the seizure of 1.2 kg of cocaine with the arrest of one person in Johannesburg.
- Mounted a joint operation with the US Immigration and Customs Enforcement resulting in the seizure of 1.4 kg of gamma-butyrolactone with the arrest of three persons in the US.
- Mounted a joint operation with Japan Customs resulting in the seizure of 1.4 kg of heroin with the arrest of two persons in Hong Kong.



1.4 kg of heroin concealed in the insoles of shoes

- Mounted a joint operation with the Anti-Smuggling Bureau of Shenzhen Customs resulting in the seizure of 0.76 kg of heroin with the arrest of one person in the Mainland.



0.76 kg of heroin seized

April 2018

- Passing-out Parade for officers of No. 406 to 414 Customs Officer Induction Courses, with the Honourable Mrs Carrie Lam Cheng Yuet-ngor, GBM, GBS, the Chief Executive of the Hong Kong Special Administrative Region, as the Inspecting Officer.



Chief Executive Mrs Carrie Lam inspected the Probationary Customs Officers at the passing-out parade.

- Hong Kong Customs signed a Memorandum of Understanding (MoU) on co-operation and mutual assistance in the rules of origin administration under the China-Republic of Korea Free Trade Agreement (FTA) with the Korea Customs Service in Hong Kong. The MoU recognised the Department as an issuing authority of Certificates of Non-Manipulation for cargoes from the Mainland transhipped through Hong Kong to Korea, making them eligible for preferential tariffs under the China-Republic of Korea FTA.



Commissioner of Customs and Excise, Mr Hermes Tang (right), and Commissioner of the Korea Customs Service, Mr Kim Yung-moon (left), exchanged an MoU on co-operation and mutual assistance in the rules of origin administration under the China-Republic of Korea FTA in Hong Kong on 10 April 2018.

- Seized a total of 11 024 mobile phones and 168 tablet computers with a retail value of about HK\$ 33 million from a light goods vehicle and a speedboat along the seashore in Lau Fau Shan.



Mobile phones and tablet computers seized

- Conducted a territory-wide operation to combat the sale of suspected counterfeit smartphones and accessories as well as suspected engagement of unfair trade practices in selling smartphones by raiding twelve shops and two storages. One hundred smartphones with suspected forged trademarks or with suspected false trade descriptions applied and 3 400 pieces of suspected counterfeit smartphone accessories, with a retail value of HK\$1.5 million were seized. Nineteen persons were arrested.



Suspected counterfeit smartphones and accessories seized in the operation

- Seized 5.12 kg of methamphetamine with a retail value of HK\$2.86 million in a parcel arriving from Malaysia at the Airport and the arrest of two persons in Yau Ma Tei.



5.12 kg of methamphetamine mingled with seasoning sauce

- Seized 4.8 kg of heroin with a retail value of HK\$4.73 million from two incoming passengers at Shenzhen Bay Control Point.



4.8 kg of heroin seized from the offenders' abdomens, thighs, calves and underneath the insoles of shoes

- Seized 1.75 kg of cocaine with a retail value of HK\$1.72 million concealed inside an electrode stove in a parcel arriving from Brazil at the Airport and the arrest of one person in Kwun Tong.



Cocaine concealed inside an electrode stove

- Seized 1.88 kg of tablets containing methamphetamine with a retail value of HK\$1.61 million concealed inside a false compartment of a suitcase in a consignment originating from Myanmar at the Airport.



1.88 kg of tablets containing methamphetamine found a false compartment of a suitcase

May 2018

- Hong Kong Customs participated in the 19th WCO Asia Pacific Regional Heads of Customs Administration Conference in Sigatoka, Fiji.



Participants of the 19th WCO Asia Pacific Regional Heads of Customs Administration Conference in Sigatoka, Fiji

- Seized 2.2 million sticks of illicit cigarettes with a retail value of HK\$5.8 million from a 20-foot container arriving from India at the Kwai Chung Customhouse.



Illicit cigarettes seized from a container from India at the Kwai Chung Customhouse

- Seized 89 kg of palladium brick with a retail value of HK\$22.2 million from an outbound private car at Man Kam To Control Point.



Palladium brick concealed under the passenger seats

- Seized a total of 1 576 smartphones, 228 smart watches and 45 solid state drives with a retail value of about HK\$8 million inside the altered battery compartment of an electric vehicle at Shenzhen Bay Control Point.



Mobile phones in a secret space in the altered battery compartment of an electric vehicle

- Conducted a joint operation with Mainland Customs against the smuggling of counterfeits in relation to 2018 World Cup. 220 000 numbers of suspected counterfeit clothing and shoes, with a retail value of HK\$13.81 million were seized.



Suspected counterfeit products seized in the operation

- Seized 1.38 kg of liquid cocaine camouflaged as beer and wine with a retail value of HK\$1.36 million from an incoming passenger arriving from Peru via France at the Airport.



1.38 kg of liquid cocaine camouflaged as beer and wine seized

- Seized 32.06 kg of methamphetamine, a set of drug manufacturing and packaging paraphernalia and HK\$50,000 cash with a total retail value of HK\$16.53 million and the arrest of one person in Yuen Long and one person in Sheung Shui.



32.06 kg of methamphetamine and a set of drug manufacturing and packaging paraphernalia seized

- Seized 11.67 kg of gamma butyrolactone in a parcel arriving from Lithuania at the Airport and further seizure of 3.5 kg of gamma butyrolactone, 1.7 kg of methamphetamine, 6.5 kg of various dangerous drugs and cash of HK\$0.37 million with a total retail value of HK\$1.42 million and the arrest of two persons in Central.



Gamma butyrolactone, methamphetamine and assorted dangerous drugs seized

- Seized 5.2 kg of herbal cannabis with a retail value of HK\$1.43 million from an incoming passenger's checked suitcase arriving from Thailand at the Airport.



5.2 kg of herbal cannabis inside the checked suitcase

- Seized 2 kg of methamphetamine concealed in the hidden compartments of two checked rucksacks from an incoming passenger with a retail value of HK\$1.08 million arriving from Cambodia at the Airport.



2 kg of methamphetamine concealed inside the checked rucksack

- Seized 1 kg of cocaine with a retail value of HK\$1 million and the arrest of one person in Fanling.



1 kg of cocaine seized

- Seized 3.6 kg of methamphetamine concealed in the hidden compartment of a checked suitcase from an incoming passenger with a retail value of HK\$1.94 million arriving from Togo via Ethiopia at the Airport.



3.6 kg of methamphetamine concealed inside the checked suitcase

June 2018

- Hong Kong Customs participated in the 132nd Session of the Customs Co-operation Council of the World Customs Organization in Brussels, Belgium. On the sidelines of the session, the Commissioner of Customs and Excise signed a Mutual Recognition Arrangement (MRA) for the Authorized Economic Operator (AEO) Programme with the New Zealand Customs Service. Under the MRA, the Hong Kong AEO Programme and the New Zealand Secure Exports Scheme are mutually recognized.



Commissioner of Customs and Excise, Mr. Hermes Tang (right), signed an MRA for the AEO Programme with the Acting Comptroller of the New Zealand Customs Service in Brussels, Belgium on 28 June 2018.

- The Assistant Commissioner of Customs and Excise (Excise and Strategic Support), Mr. Jimmy Tam (right), signed an MRA Action Plan for the AEO Programme with the Vice President of the Canada Border Services Agency, in Brussels, Belgium to mark the commencement of formal negotiation for mutual recognition of the Hong Kong AEO Programme and the Partners in Protection Programme in Canada.



Assistant Commissioner of Customs and Excise (Excise and Strategic Support), Mr Jimmy Tam (right), signed an MRA Action Plan for the AEO Programme with the Vice President of the Canada Border Services Agency in Brussels, Belgium on 29 June 2018.

- The Cargo Examination Hall at Asia Airfreight Terminal 1, Hong Kong International Airport officially commenced operation with a view to providing the industry and the public with more efficient Customs clearance services.



Ceremony for the opening of Cargo Examination Hall at Asia Airfreight Terminal 1 on 12 June 2018

- Seized 4 452 cartons of suspected pharmaceutical products with a retail value of HK\$15.6 million from an inbound consignment consisting of three containers from Huangpu.



Suspected pharmaceutical products seized

- Seized 5 700 kg of red sandalwood declared as “gypsum drywall board” with a retail value of HK\$6.9 million from an inbound container arriving from Malaysia. The red sandalwood were concealed inside hollowed-out gypsum boards.



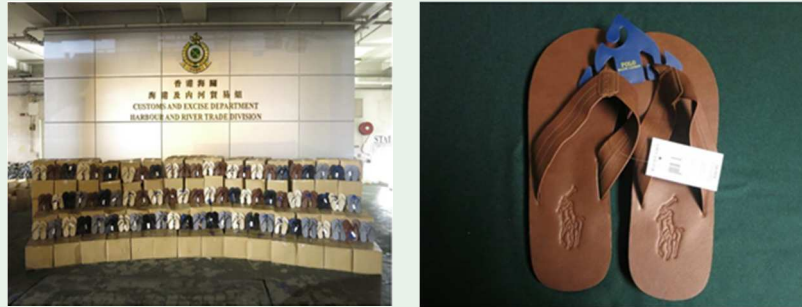
Red sandalwood seized

- Seized 492 packages of sportswear bearing suspected forged trademarks or false trade descriptions with a retail value of HK\$4.6 million from a transshipment container destined for Belize from Nansha via Hong Kong.



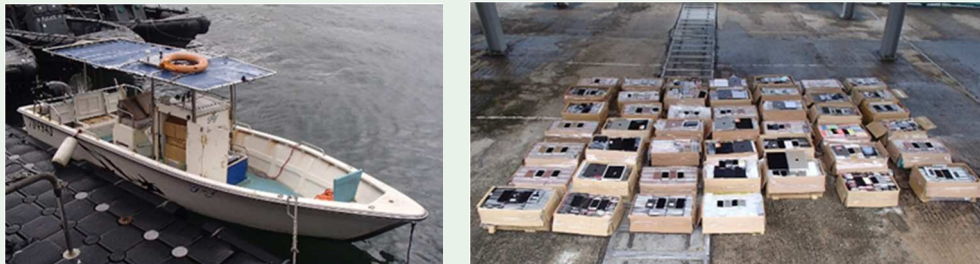
Suspected counterfeit sportswear seized

- Seized 1 260 cartons of sandals bearing a suspected forged trademark with a retail value of HK\$6 million from a transshipment container destined for Poland from Huangpu via Hong Kong.



Suspected counterfeit sandals seized

- Seized 8 151 mobile phones, 615 tablets, 899 batteries and 9 kg of raw amber rocks with a retail value of HK\$17 million from an open cruiser in a joint operation with the Marine Police against sea smuggling off Waglan Island.



Mobile phones, tablets, batteries and raw amber rocks seized during the operation

- Seized 225 120 ml of cough syrup, 181 kg of dried seahorse, 73 kg of edible bird's nest, 5 157 mobile phones, 963 tablets and assorted goods with a retail value of HK\$22 million from a cargo vessel and a motorized sampan in a joint operation with the Marine Police against sea smuggling in Cheung Chau.



Cough syrup, dried seahorse, edible bird's nest and electronic products seized

- Seized 5.9 kg of rhino horn and 0.41 kg of worked ivory with a retail value of HK\$1.2 million from a passenger arriving from South Africa at the Airport.



5.9 kg of rhino horn and worked ivory seized

- Seized 3 kg of methamphetamine concealed inside the hidden compartments of three rucksacks with a retail value of HK\$1.62 million from an incoming passenger arriving from Vietnam at the Airport.



3 kg of methamphetamine concealed inside the hidden compartments of three rucksacks

- Seized 1.25 kg of methamphetamine concealed inside five vehicle side mirrors in a parcel arriving from Rwanda at the Airport and a further seizure of 1.2 kg of heroin with a total retail value of HK\$1.55 million and the arrest of one person in Kam Tin.



1.25 kg of methamphetamine and 1.2 kg of heroin seized

- Seized 2.88 kg of methamphetamine camouflaged as chocolate inside the checked baggage with a retail value of HK\$1.55 million from an incoming passenger arriving from South Africa at the Airport.



2.88 kg of methamphetamine camouflaged as chocolate seized

- Seized 79 kg of cocaine and 1 kg of methamphetamine with a retail value of HK\$80 million and the arrest of one person in Tuen Mun.



79 kg of cocaine and 1 kg of methamphetamine seized

- Mounted a joint operation with the Anti-Smuggling Bureau of Shenzhen Customs and the Shenzhen Municipal Public Security Bureau resulting in the seizure of 10.5 kg of heroin with the arrest of six persons in the Mainland.



10.5 kg of heroin seized

July 2018

- The Currency and Bearer Negotiable Instruments Declaration System (CDS) website was launched on 3 July 2018 to allow cargo declarants to make advance electronic declaration on import and export of currency and bearer negotiable instruments (CBNIs) to the Department in accordance with the legal requirements as required under the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance, Chapter 629, Laws of Hong Kong.



The CDS is developed to receive advanced declarations on large quantity of CBNIs which are imported into or exported from Hong Kong as cargo consignment.

- Four cash detector dogs were first introduced to assist the enforcement of the legislation on “Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments” commenced on 16 July 2018.



Passenger processing by a cash detector dog

- Seized 7 100 kg of pangolin scales declared to contain plastic materials with a retail value of HK\$3.55 million from a container arriving in Hong Kong from Nigeria.



Pangolin scales seized

- Seized a total of 277 kg of ivory tusks with a retail value of about HK\$3 million inside a warehouse in San Tin.



Ivory tusks seized during the operation

- Seized 1 401.5 grammes of methamphetamine with a retail value of HK\$1 million from an inbound private car at Lok Ma Chau Control Point.



1 401.5 grammes of methamphetamine seized at Lok Ma Chau Control Point

- Seized 2 kg of cocaine with a retail value of HK\$2.2 million sandwiched between cardboards in a postal parcel destined for Australia at the Airport.



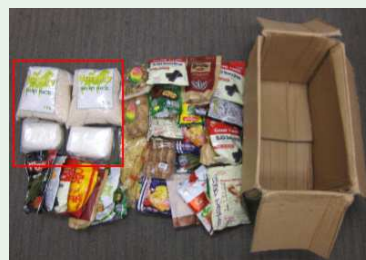
2 kg of cocaine sandwiched between cardboards

- Seized 2.55 kg of ketamine camouflaged as health products with a retail value of HK\$1.32 million in a parcel arriving from Pakistan at the Airport.



2.55 kg of ketamine camouflaged as health products seized

- Seized 6.2 kg of ketamine with a retail value of HK\$3.05 million in a parcel arriving from the Mainland at Surface Mail Centre and the arrest of one person in Kwai Chung.



6.2 kg of ketamine seized

- Mounted a joint operation with Guangdong Sub-administration of the General Administration of Customs and Kunming Anti-Smuggling Bureau resulting in the seizure of 6.2 kg of ketamine with the arrest of one person in Hong Kong and 2 kg of ketamine with the arrest of another person in the Mainland.

August 2018

- Hong Kong Customs participated in the 2nd Meeting of the APEC Sub-Committee on Customs Procedures in Port Moresby, Papua New Guinea.



Participants of the 2nd Meeting of the APEC Sub-Committee on Customs Procedures in Port Moresby, Papua New Guinea

- The Express Rail Link Division was formally established on 27 August 2018 under the Rail and Ferry Command to cope with the commencement of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) in September 2018.



Secretary for Security, Mr John Lee (seventh right) and Commissioner of Customs and Excise, Mr Hermes Tang (seventh left) were pictured with the senior management of the Department as well as members of the Express Rail Link Division at West Kowloon Station during the commencement ceremony on 22 September 2018.

- Passing-out Parade for officers of No. 115 to 118 Inspector Induction Courses and No. 415 to 426 Customs Officer Induction Courses, with Mr Edward Yau Tang-wah, GBS, JP, Secretary for the Commerce and Economic Development, as the Inspecting Officer.



Secretary for Commerce and Economic Development Mr Edward Yau inspected Probationary Inspectors at the passing-out-parade.

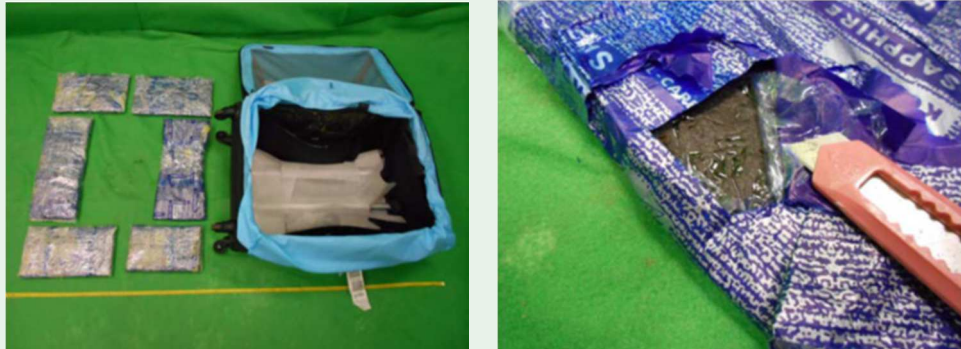
- Seized 7 632 mobile phones, 542 tablets and assorted goods with a retail value of HK\$15 million on board a pleasure craft in a joint operation with the Marine Police against sea smuggling off Sung Kong.



Mobile phones, tablets and assorted goods seized during the operation

- Successful prosecution against a vehicle distributor for failing to publish retail prices as required under the Motor Vehicles (First Registration Tax) Ordinance when selling warranties of new motor vehicles valued at HK\$1,470,000. The offender was fined HK\$730,000.

- Seized 8.2 kg of cannabis resin with a retail value of HK\$1 million from a passenger arriving from India via Singapore at the Airport. The cannabis resin was smuggled by way of concealment inside a false compartment of a suitcase.



8.2 kg of cannabis resin concealed inside a false compartment of a suitcase

- Seized 1.19 kg of heroin with a retail value of HK\$1.09 million concealed inside potted plastic plants in a consignment originating from Laos at the Airport.



1.19 kg of heroin concealed inside potted plastic plants

- Seized 2.19 kg of methamphetamine camouflaged as chocolate with a retail value of HK\$1.2 million from an incoming passenger arriving from Kenya via the UAE at the Airport.



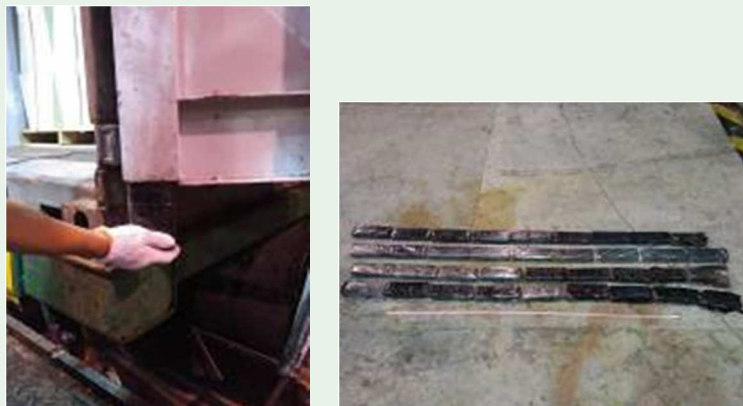
2.19 kg of methamphetamine camouflaged as chocolate

- Seized 2 kg of methamphetamine concealed inside a metal roller with a retail value of HK\$1.06 million from a parcel arriving from Equatorial Guinea.



2 kg of methamphetamine concealed inside a metal roller

- Seized 26 kg of cocaine concealed in container's door structure of a consignment arriving from Colombia and further seizure of 1 kg crack cocaine and a batch of drug manufacturing and packing paraphernalia with a total retail value of HK\$29.52 million and the arrest of three persons in Hong Kong.



26 kg of cocaine seized from container's door structure (part of the seizure)

- Mounted a joint operation with Shenzhen Anti-Smuggling Bureau and Shenzhen Public Security Bureau resulting in the seizure of 4 kg of methamphetamine with the arrest of three persons in the Mainland.



4 kg of methamphetamine seized

September 2018

- Held the award certificate presentation ceremony of the “Sea Cargo Pre-shipment Declaration Scheme 2018 (the Scheme) cum Signing Ceremony of Memorandums of Understanding (MoUs) between Hong Kong Customs and Container Terminal Operators (CTOs)” to present Gold and Silver Award Certificates to 50 sea cargo carriers / companies in recognition of their active participation in the Scheme. The MoUs underpinned a closer collaboration between the Department and the CTOs, laying down various co-operative arrangements for sea cargo customs clearance, including liaison mechanism, cargo detention notification and case reporting.



Assistant Commissioner of Customs and Excise (Boundary and Ports), Ms Louise Ho (centre), presented Award Certificates and MoUs to the winning sea cargo carriers / companies and representatives of CTOs respectively.

- Seized 1.5 million sticks of illicit cigarettes with a retail value of HK\$4 million from an incoming cross-boundary lorry at the Man Kam To Control Point. The cigarettes were mix-loaded with vegetables on board the vehicle.



Illicit cigarettes were mixed-loaded with vegetables on board an incoming lorry at the Man Kam To Control Point.

- Seized 1.1 kg of cocaine with a retail value of HK\$1.1 million from a passenger arriving from Cameroon via Ethiopia at the Airport. The cocaine was smuggled by way of internal concealment.



1.1 kg of cocaine swallowed by the passenger

- Seized 1.4 kg of heroin with a retail value of HK\$1.2 million from two passengers arriving from Malaysia at the Airport. The heroin was smuggled by way of concealment inside two pair of shoes.



1.4 kg of heroin concealed inside the shoes

- Seized 1 kg of cocaine with a retail value of HK\$1 million concealed inside four wooden boxes in a consignment originating from Ecuador.



1 kg of cocaine concealed inside four wooden boxes

- Seized 2.5 kg of methamphetamine with a retail value of HK\$1.33 million concealed inside the brassieres and sanitary napkins worn by three incoming passengers arriving from Malaysia at the Airport.



Methamphetamine concealed inside the brassieres and sanitary napkins

- Seized 13 kg of cannabis resin concealed in the hidden compartment of the checked suitcase with a retail value of HK\$1.08 million of an incoming passenger arriving from India at the Airport.



13 kg of cannabis resin seized

- Seized 1.52 kg of heroin with a retail value of HK\$1.34 million body-packed on two incoming passengers arriving from Malaysia at the Airport.



1.52 kg of heroin body-packed on two offenders' waists and chest

- Seized 8 kg of cocaine concealed inside a transformer with a retail value of HK\$8.3 million at Lok Ma Chau Control Point and the arrest of five persons in Hong Kong.



8 kg of cocaine concealed inside a transformer seized

- Mounted a joint operation with the UK National Crime Agency resulting in the seizure of 1.1 kg of cocaine and the arrest of one person in Hong Kong.



Internal concealment

- Mounted a joint operation with Japan customs resulting in the seizure of 2.5 kg of methamphetamine with the arrest of three persons arriving from Malaysia in Hong Kong.



2.5 kg of methamphetamine seized from the brassieres and sanitary napkins

- Mounted a joint operation among Anti-smuggling Bureau of General Administration of Customs of China, Narcotics Control Bureau of Ministry of Public Security and a law enforcement agency of Thailand resulting in the seizures of 24 kg of cocaine and the arrest of ten persons in Xiamen, Hong Kong and Bangkok.



8 kg of cocaine seized in Hong Kong

October 2018

- The Commissioner of Customs and Excise signed a Customs Co-operative Arrangement (CCA) with the Fiji Revenue and Customs Service at the Customs Headquarters Building in Hong Kong.



Commissioner of Customs and Excise, Mr Hermes Tang (right), and the Chief Executive Officer of the Fiji Revenue and Customs Service, Mr Visvanath Das (left), signed the CCA regarding Co-operation and Mutual Administrative Assistance in Hong Kong.

- A new formation Cross-boundary Bridge Command (CBC) under the Boundary and Ports Branch has been set up since 8 October 2018 to manage customs operation at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port (HZMB HKP) and the Shenzhen Bay Control Point. HZMB commenced operation on 24 October 2018 at 9 am. The opening ceremony of the Bridge was held on 23 October 2018 at HZMB Zhuhai Port and officiated by President XI Jinping.

- The Occupational Safety and Health (OSH) Policy Statement endorsed by the Commissioner in October demonstrated the Department's commitment to OSH through the cooperation of management and staff.



Commissioner of Customs and Excise, Mr. Hermes Tang, announced the Departmental Policy on Occupational Safety and Health.

- Seized 3.1 million sticks of illicit cigarettes with a retail value of HK\$8.3 million in a logistics centre in Kwai Chung.



Illicit cigarettes seized in a logistics centre in Kwai Chung

- Seized 6 600 kg of duty-not-paid water pipe tobacco with a retail value of HK\$2.6 million from an inbound container arriving from Jordan.



6 600 kg of duty-not-paid water pipe tobacco seized

- Seized a total of 378 kg of bird's nest, 3.27 kg of worked ivory and 8 800 numbers of electronic products with a retail value of HK\$15 million from an outbound lorry at Lok Ma Chau Control Point.



Electronic products and bird nest seized at Lok Ma Chau Control Point

- Seized 2.1 kg of cocaine with a retail value of HK\$ 2.1 million from a passenger arriving from Honduras via the Netherlands at the Airport. The cocaine was smuggled by way of concealment inside a false compartment of a backpack.



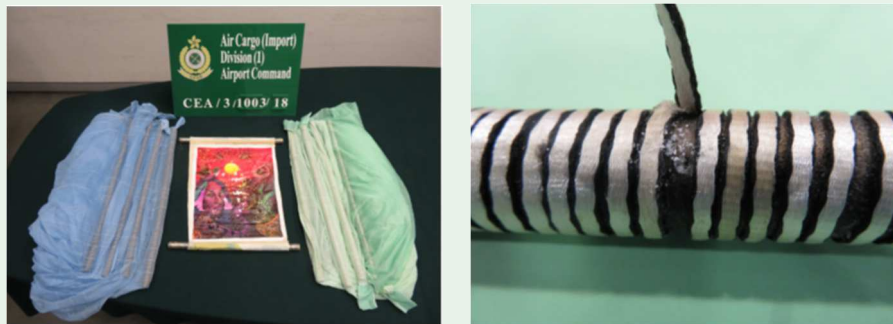
2.1 kg of cocaine concealed inside a false compartment of a backpack

- Seized 3 kg of liquid cocaine with a retail value of HK\$3.6 million from two passengers arriving from Peru via Brazil and Ethiopia at the Airport. The cocaine were smuggled by way of internal concealment.



3 kg of liquid cocaine swallowed by two passengers

- Seized 2.1 kg of cocaine with a retail value of HK\$2.1 million concealed inside the plastic tubes attached to fabrics and a painting in a consignment originating from Peru.



2.1 kg of cocaine concealed inside plastic tubes

- Seized 1.23 kg of cocaine with a retail value of HK\$1.35 million concealed inside 3 flaps at the opening of a carton box in a consignment originating from South Africa at the Airport.



1.23 kg of cocaine concealed inside 3 flaps at the opening of a carton box

- Seized 5.3 kg of cannabis buds with a retail value of HK\$1.29 million and the arrest of three persons in Aberdeen and Ap Lei Chau.



5.3 kg of cannabis buds seized

- Seized 4.04 kg of methamphetamine with a retail value of HK\$2.15 million from two incoming passengers arriving from Cambodia at the Airport.



4.04 kg of methamphetamine wrapped around the thighs and waist

- Mounted a joint operation among the Anti-Smuggling Bureau of General Administration of China Customs, the US Drug Enforcement Administration, and the Regional Intelligence Liaison Office for Asia and the Pacific resulting in the seizure of 705 g of cocaine and the arrest of one person in Hong Kong.



705 g of cocaine concealed in the metal frames of the checked suitcase

November 2018

- The 2018 Review Meeting between the General Administration of Customs of the People's Republic of China (GACC) and Hong Kong Customs was held in Beijing.



Commissioner of Customs and Excise, Mr Hermes Tang (right), and the Vice Minister of the GACC, Mr Li Guo (left), were pictured after the 2018 Review Meeting between the GACC and Hong Kong Customs.

- A memorandum on co-operative and mutual-assistance arrangements was signed among the Hong Kong Customs, Guangdong Sub-Administration of the General Administration of Customs of the People's Republic of China and the Macao Customs Service on 13 November 2018 to lay down a foundation for the three-side co-operation in customs affairs on the HZMB.

- Yau Yue Wan Customs Staff Quarters in Tseung Kwan O was completed, providing 136 units of departmental quarters to Customs officers. It is the first departmental quarters project for Customs Officer Grade officers with planning essentially formulated by the Department.



Yau Yue Wan Customs Staff Quarters provides 136 units of departmental quarters.

- Passing-out Parade for officers of No. 427 to 432 Customs Officer Induction Courses, with Ms Teresa Ko Yuk-yin, JP, the Chairperson of the Standing Committee on Disciplined Services Salaries and Conditions of Service, as the Inspecting Officer.



The Chairperson of the Standing Committee on Disciplined Services Salaries and Conditions of Service Ms Teresa Ko delivered a speech.

- Seized 1.5 million sticks of illicit cigarettes with a retail value of HK\$4.2 million from an incoming cross-boundary lorry at the Man Kam To Control Point. The cigarettes were concealed inside mattresses on board the vehicle.



Illicit cigarettes concealed inside mattresses on board an incoming lorry at the Man Kam To Control Point

- Seized 1.3 million sticks of illicit cigarettes with a retail value of HK\$3.6 million from an incoming 45-foot container tractor at the Man Kam To Control Point.



Illicit cigarettes seized from an incoming tractor at the Man Kam To Control Point

- Seized 83 000 kg of Guatemalan rosewood declared as “wood tucurensis” with a retail value of HK\$3.3 million from three containers arriving in Hong Kong from Panama.



Guatemalan rosewood seized

- Conducted a joint operation with Mainland Customs against the smuggling of counterfeit goods destined for “Belt-and-Road”, European and Latin American countries. 58 000 numbers of suspected counterfeit clothing, sports shoes, leather goods and sports products, with a retail value of HK\$1.69 million were seized.



Suspected counterfeit products seized in the operation

- Conducted an operation against the smuggling of counterfeit goods via vessels. 387 cartons of suspected counterfeit goods, including mobile phones accessories, watches, glasses, memory cards and shoes, with a retail value of HK\$3.2 million were seized.



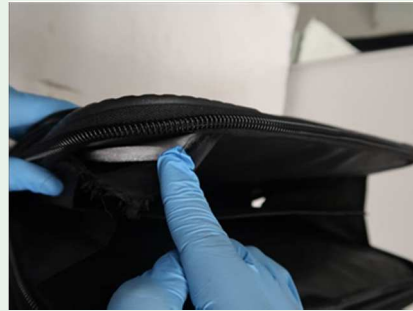
Suspected counterfeit products seized in the operation

- Seized 30 kg of cannabis buds with a retail value of HK\$6.9 million from a passenger arriving from Canada at the Airport. The cannabis buds was smuggled by way of concealment inside a baggage.



30 kg of cannabis buds concealed inside a baggage

- Seized 2.5 kg of cocaine with a retail value of HK\$2.65 million from a passenger arriving from Brazil via the UAE at the Airport. The cocaine was smuggled by way of concealment inside a false compartment of a suitcase.



2.5 kg of cocaine concealed inside a false compartment of a suitcase

- Seized 4.55 kg of methamphetamine with a retail value of HK\$2.16 million concealed inside 7 nos. of can in a consignment originating from Malaysia at the Airport.



4.55 kg of methamphetamine seized

- Seized 4 kg of cocaine with a retail value of HK\$4.8 million concealed in three metal parts in a parcel arriving from Argentina via the US at the Airport and the arrest of one person in Tsim Sha Tsui and one person in Mong Kok.



Cocaine concealed in metal parts

- Seized 3.62 kg of methamphetamine concealed in six hollowed books with a retail value of HK\$1.72 million in a parcel arriving from Laos at the Airport and the arrest of one person in Wong Tai Sin.



3.62 kg of methamphetamine concealed in hollowed books

- Seized 2.08 kg of cocaine with a retail value of HK\$2.16 million concealed in the hidden compartment of the checked suitcase of an incoming passenger arriving from Brazil via Madrid at the Airport.



2.08 kg of cocaine concealed in the hidden compartment of suitcase

- Mounted a joint operation with Shenzhen Customs Anti-Smuggling Bureau and Shenzhen Public Security Bureau resulting in the seizure of 8 kg of cannabis buds with the arrest of three persons in the Mainland.



8 kg of cannabis buds seized

December 2018

- The 35th Annual Meeting between Hong Kong Customs and the Macao Customs Service / Macao Economic Services was held in Macao.



Commissioner of Customs and Excise, Mr Hermes Tang (first right), and the Deputy Director-General of Macao Customs Service by that time, Mr Ng Kuok Heng (first left), officiated at the Opening Ceremony of the Meeting.

- The Inspector Induction Course and the Customs Officer Induction Course of C&ED were successfully accredited after professional assessment by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) and entered into the Qualifications Register.



Representatives of Customs and Excise Training School had a meeting with the Accreditation Panel of the HKCAAVQ to explain the training management and quality assurance mechanism of the School.

- Held a seminar on 5 December 2018 to introduce the four trade facilitation measures by the Department, namely the Hong Kong Authorized Economic Operator Programme, the Wine Exports to Mainland - Wine Facilitation Scheme, the Free Trade Agreement Transshipment Facilitation Scheme and the Single E-lock Scheme, and highlighted the measures' expected merits both within and outside Hong Kong to the industry. About two hundred representatives from various sectors including airlines, cargo terminal operators and trade federations joined the seminar. Representatives from the Guangdong Sub-Administration, General Administration of Customs of the People's Republic of China were also invited to speak at the seminar on the relevant facilitation measure (「跨境快速通關」) launched by the Mainland Customs.



Seminar on trade facilitation measures held in the Customs Headquarters Building

- Seized 1.4 million sticks of illicit cigarettes with a retail value of HK\$3.6 million from an incoming cross-boundary lorry at the Shenzhen Bay Control Point.



Illicit cigarettes seized from an incoming lorry at the Shenzhen Bay Control Point

- Seized a total of 5 338 mobile phones with a retail value of HK\$16 million from an outbound lorry at Lok Ma Chau Control Point.



Mobile phones seized at Lok Ma Chau Control Point

- Conducted a territory-wide operation and raided twenty shops and fixed hawker pitches selling suspected counterfeit smartphones and accessories. 3 300 pieces of suspected counterfeit smartphones and accessories, with a retail value of HK\$1 million were seized. Twenty-three persons were arrested.



Suspected counterfeit smartphones and accessories seized in the operation

- Conducted an operation in Sheung Shui and raided a dispensary selling suspected counterfeit counterfeit medicine and searched its two storages. 68 000 pills of suspected controlled pharmaceutical products, 51 000 pills and 22 litres of suspected counterfeit medicine with a retail value of HK\$1 million were seized. Two persons were arrested.



Suspected counterfeit medicine and controlled pharmaceutical products seized in the operation

- Conducted an operation against the smuggling of counterfeit goods via vessels. 400 cartons of suspected counterfeit goods, including mobile phones and accessories, watches, clothing and handbags, with a retail value of HK\$4 million were seized.



Suspected counterfeit products seized in the operation

- Seized 7 kg of cocaine with a retail value of HK\$7.8 million from two passengers arriving from Maldives at the Airport. The cocaine was smuggled by way of concealment inside the false compartment of two suitcases.



7 kg of cocaine concealed inside false compartment of two suitcases

- Seized 1.4 kg of cocaine with a retail value of HK\$1.5 million from a passenger arriving from South Africa at the Airport. The cocaine was smuggled by way of body packing.



1.4 kg of cocaine found body packed on a passenger

- Seized 1.2 kg of cocaine with a retail value of HK\$1.3 million from a passenger arriving from South Africa at the Airport. The cocaine was smuggled by way of internal concealment.



1.2 kg of cocaine swallowed by the passenger

- Seized 1.35 kg of cocaine with a retail value of HK\$1.3 million from a passenger arriving from Johannesburg at the Airport. The cocaine was smuggled by the way of concealment in a hand-carry bag and the false compartment of a pair of sandals being worn by the passenger.



1.35 kg of cocaine found inside a hand carry bag and sandals

- Seized 1.25 kg of cocaine with a retail value of HK\$1.4 million from a passenger arriving from Brazil via the UAE at the Airport. The cocaine was smuggled by way of internal concealment.



1.25 kg of cocaine swallowed by the passenger

- Seized 1.14 kg of cocaine with a retail value of HK\$1.18 million from a transit passenger arriving from Johannesburg at the Airport. The cocaine was smuggled by way of internal concealment.



1.14 kg of cocaine swallowed by the passenger

- Seized 3.93 kg of methamphetamine with a retail value of HK\$1.86 million concealed inside clothes in a consignment originating from the US at the Airport.



3.93 kg of methamphetamine concealed inside clothes

- Seized 2.16 kg of cocaine concealed in the hidden compartments of checked rucksack with a retail value of HK\$2.24 million from an incoming passenger arriving from Brazil via Ethiopia at the Airport.



2.16 kg of cocaine concealed in the hidden compartments of rucksack

- Seized 11.7 kg of methamphetamine concealed in clothing in two parcels with a retail value of HK\$5.57 million arriving from the US and the arrest of one person in Tsim Sha Tsui.



11.7 kg of methamphetamine concealed in clothing

- Seized 3.8 kg of heroin and 6 kg of methamphetamine wrapped by clothes in the checked suitcase with a retail value of HK\$5.93 million from an incoming passenger arriving from Malaysia at the Airport.



3.8 kg of heroin and 6 kg of methamphetamine seized

- Seized 2.2 kg of cocaine concealed in the hidden compartments of hand-carried suitcase with a retail value of HK\$2.47 million from an incoming passenger arriving from Cambodia at the Airport.



2.2 kg of cocaine seized

- Seized 2.1 kg of cocaine from the offender's hand-carried handbag and concealed in the hidden compartments of the offender's platform sandals with a retail value of HK\$2.35 million from an incoming passenger arriving from South Africa at the Airport.
- Seized 2.92 kg of ketamine camouflaged as coconut chips and seaweed snacks with a retail value of HK\$1.77 million from two incoming passengers arriving from Thailand at the Airport.
- Mounted a joint operation with the US Drug Enforcement Administration resulting in the seizure of 1.1 kg of cocaine with the arrest of one person in Hong Kong.



1.1 kg of cocaine in two packs were concealed inside the hidden compartments of a tablet case

- Mounted a joint operation with Federal Revenue of Brazil resulting in the seizure of 1.38 kg of liquid cocaine with the arrest of one person in Hong Kong.



1.38 kg of liquid cocaine found concealed inside the offender's brassiere

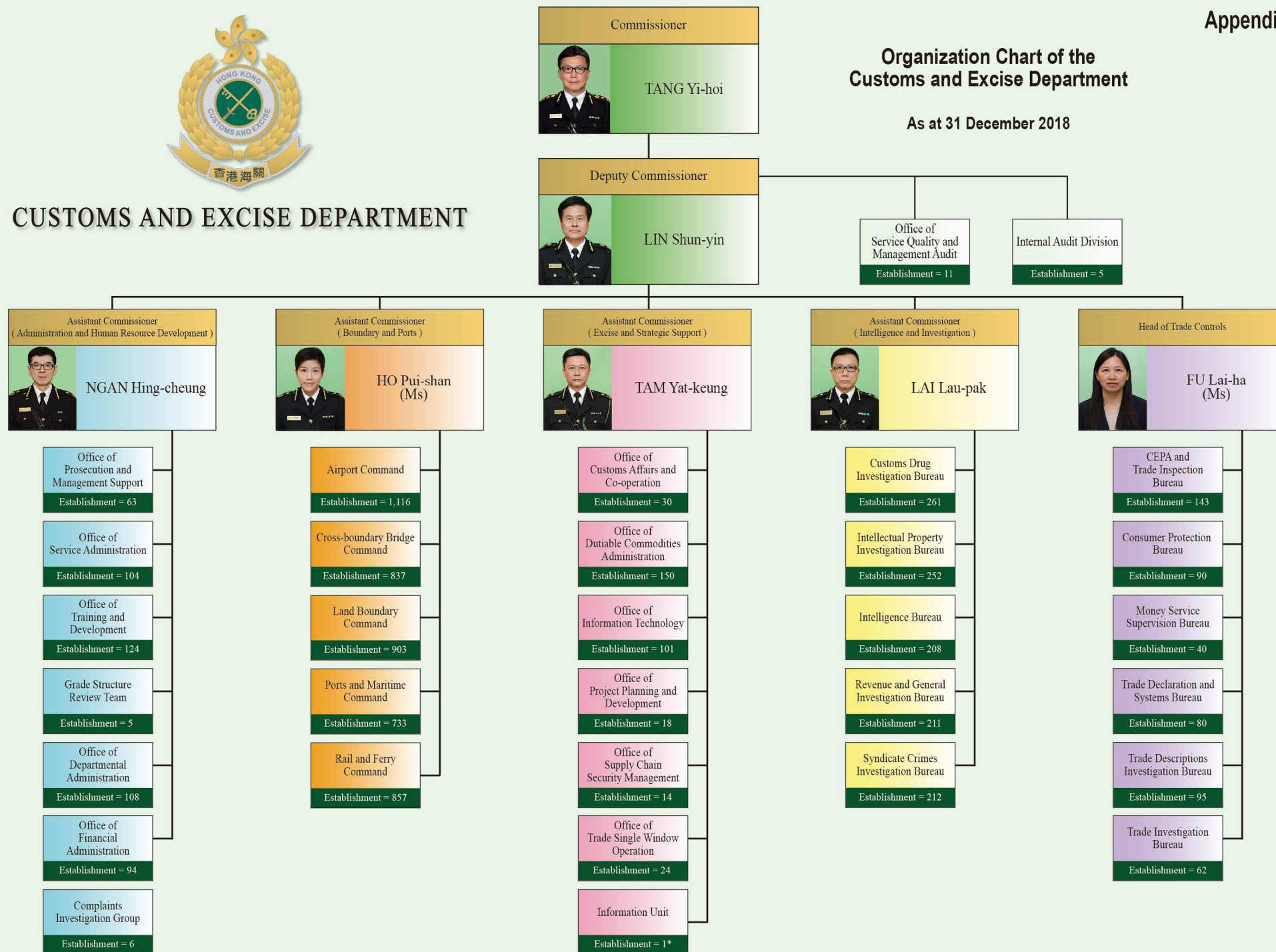
Appendices



CUSTOMS AND EXCISE DEPARTMENT

Organization Chart of the Customs and Excise Department

As at 31 December 2018



*Excluding 3 posts on loan from Information Services Department

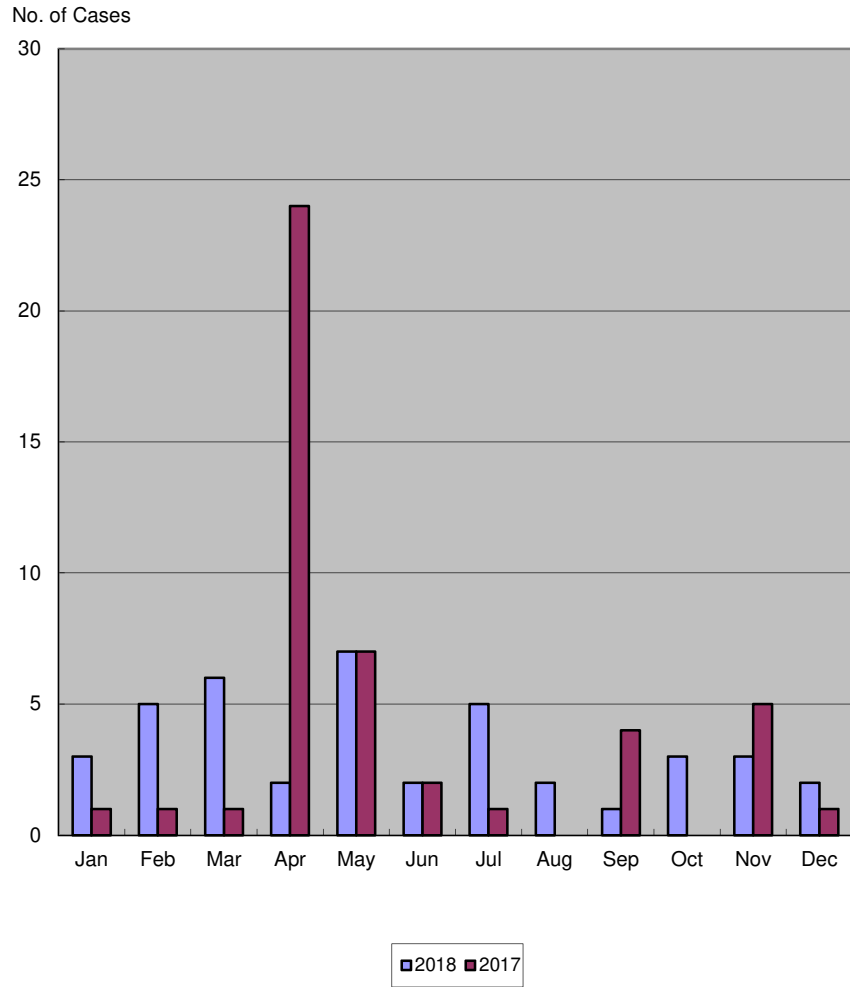
Remarks : Excluding 5 posts on secondment to Commerce and Economic Development Bureau, Financial Services and Treasury Bureau, Security Bureau and Aviation Security Co. Ltd.

Establishment and Strength Position

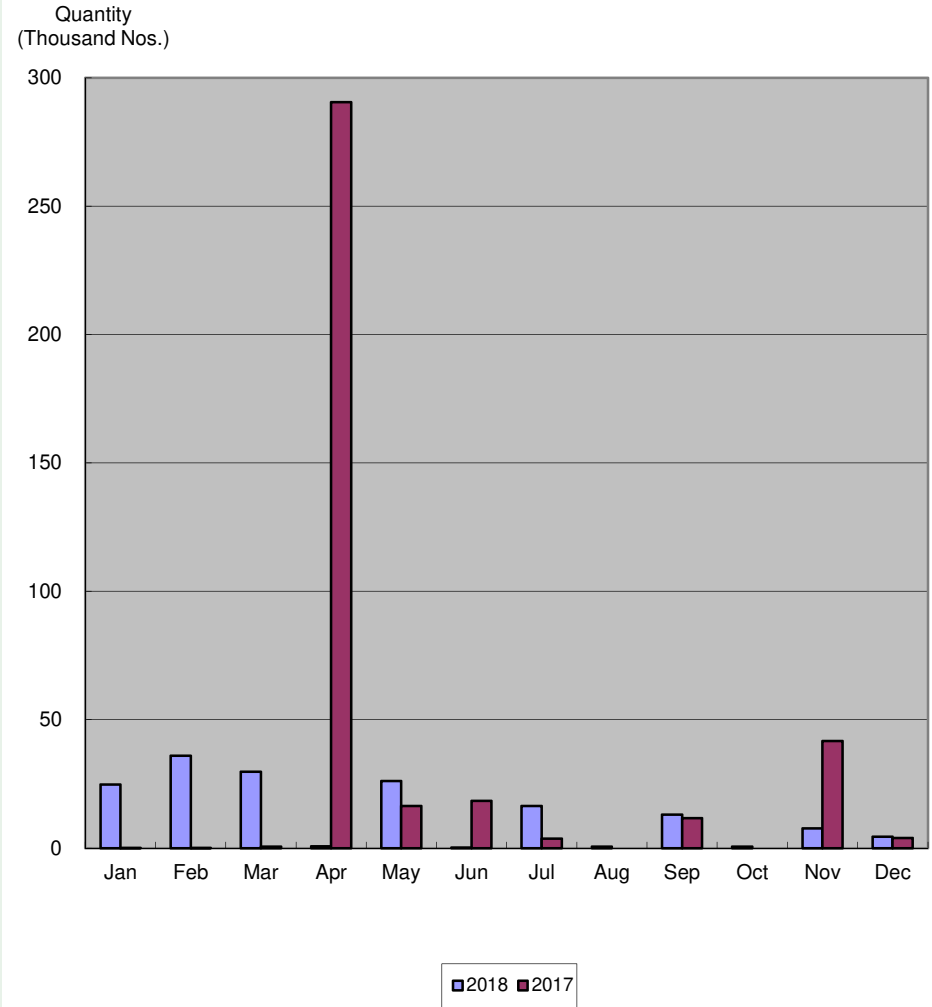
Category/Grade	2017		2018	
	(as at 31 December 2017)		(as at 31 December 2018)	
	Establishment (No.)	Strength (No.)	Establishment (No.)	Strength (No.)
Directorate Posts	9	6	9	7
Sub-total	9	6	9	7
Departmental Grades				
Superintendent/Inspector of Customs and Excise Grades	1,036	1,026	1,089	1,017
Customs Officer Grade	4,145	4,171	4,746	4,694
Trade Controls Officer Grade	475	482	475	465
Sub-total	5,656	5,679	6,310	6,176
General and Common Grades				
Executive Officer/Training Officer Grades	29	29	30	30
Treasury Accountant/Accounting Officer Grades	14	14	14	14
Official Languages Officer/Calligraphist Grades	20	20	20	20
Statistician/Statistical Officer Grades	5	5	5	5
Secretarial Grades	37	37	36	36
Clerical Grades	293	281	295	282
Supplies Grades	56	56	59	59
Others	181	167	192	182
Sub-total	635	609	651	628
Total	6,300	6,294	6,970	6,811

Statistics on Infringing Optical Disc Cases

No. of Infringing Optical Disc Cases (2018 vs 2017)

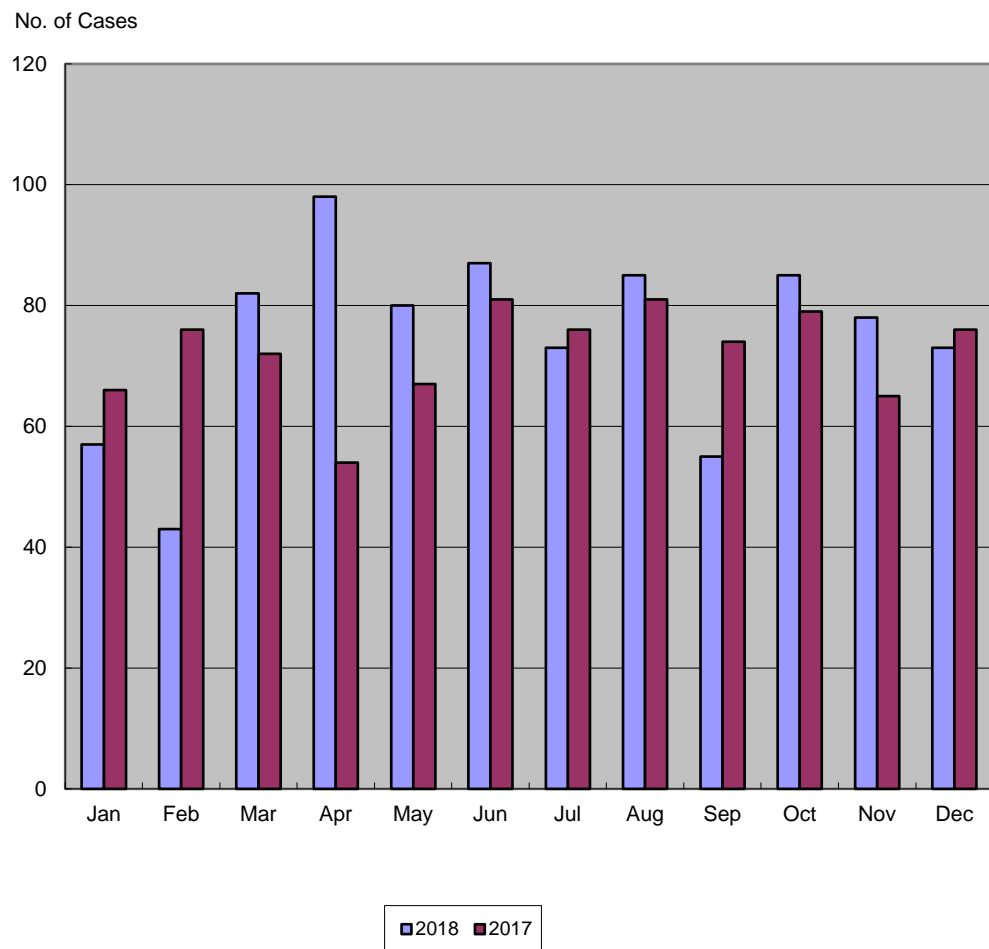


Quantity of Infringing Optical Disc Seized (2018 vs 2017)

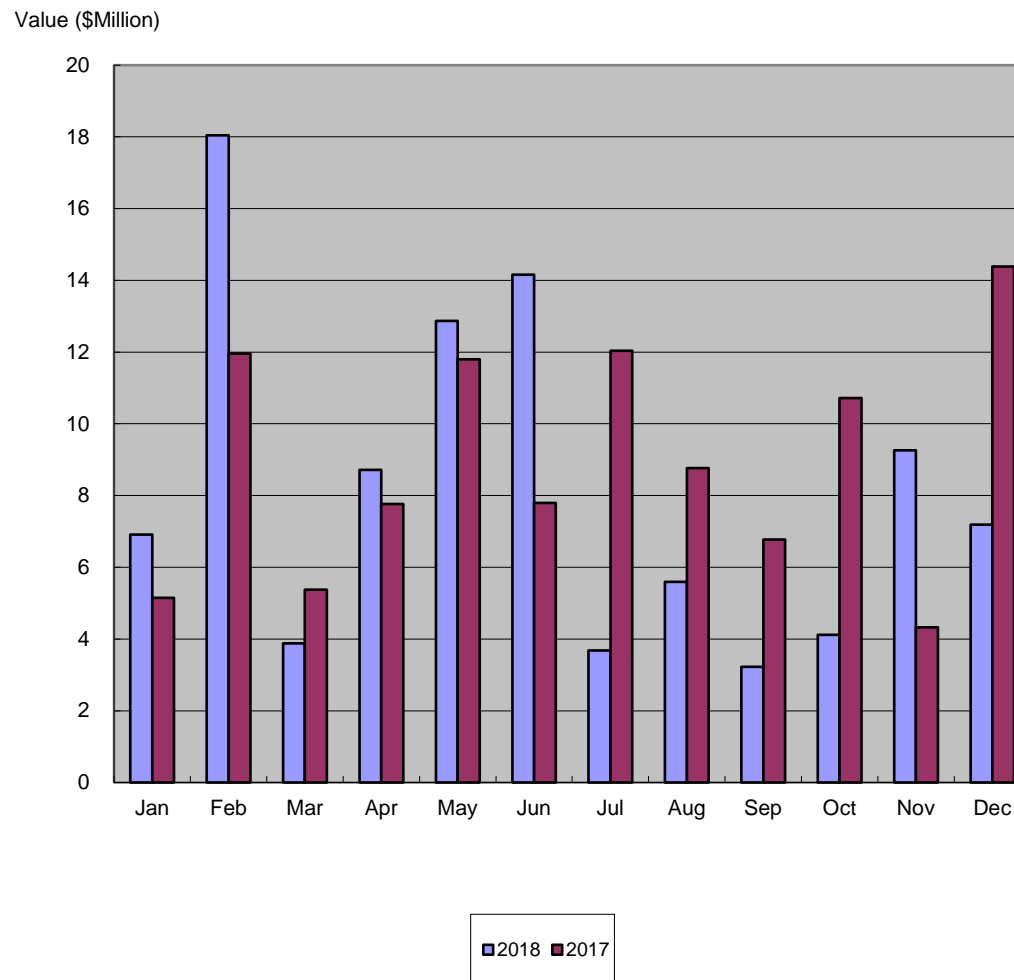


Statistics on Forged Trademark Cases

No. of Forged Trademark Cases (2018 vs 2017)

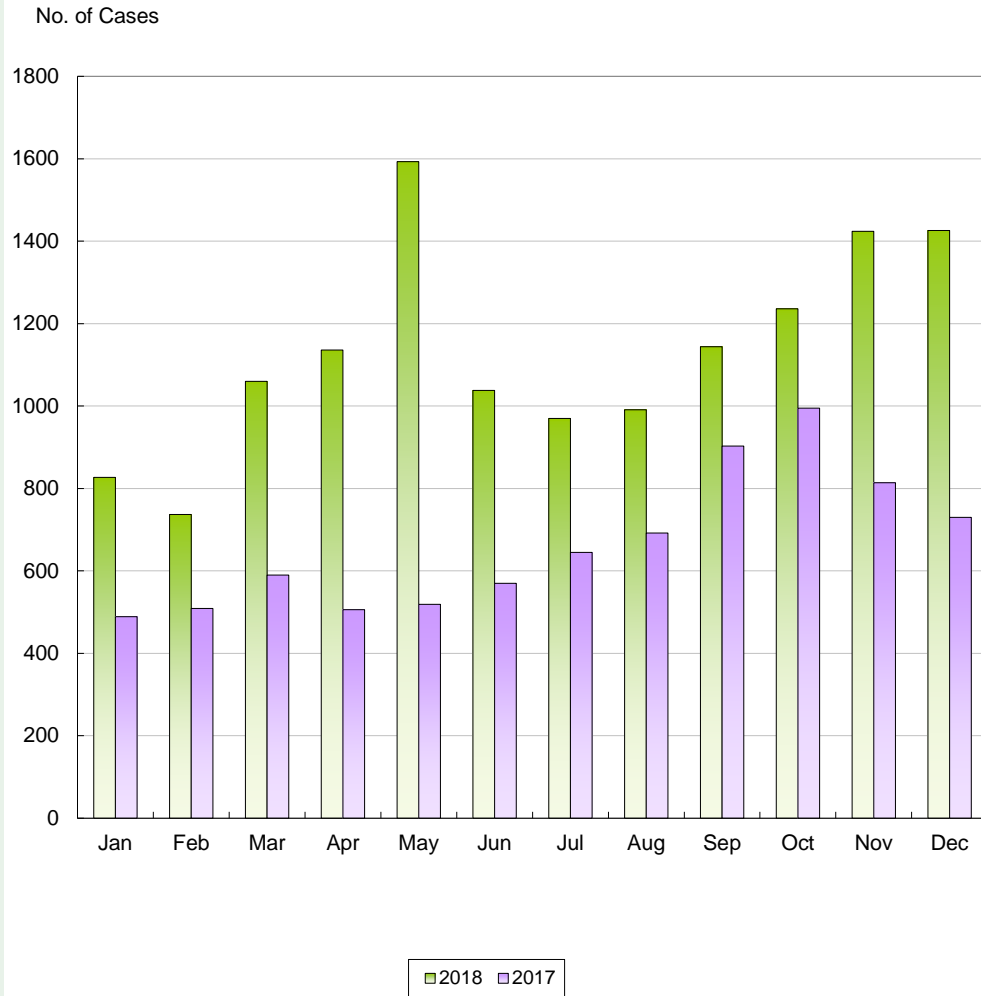


Value of Forged Trademark Goods Seized (2018 vs 2017)

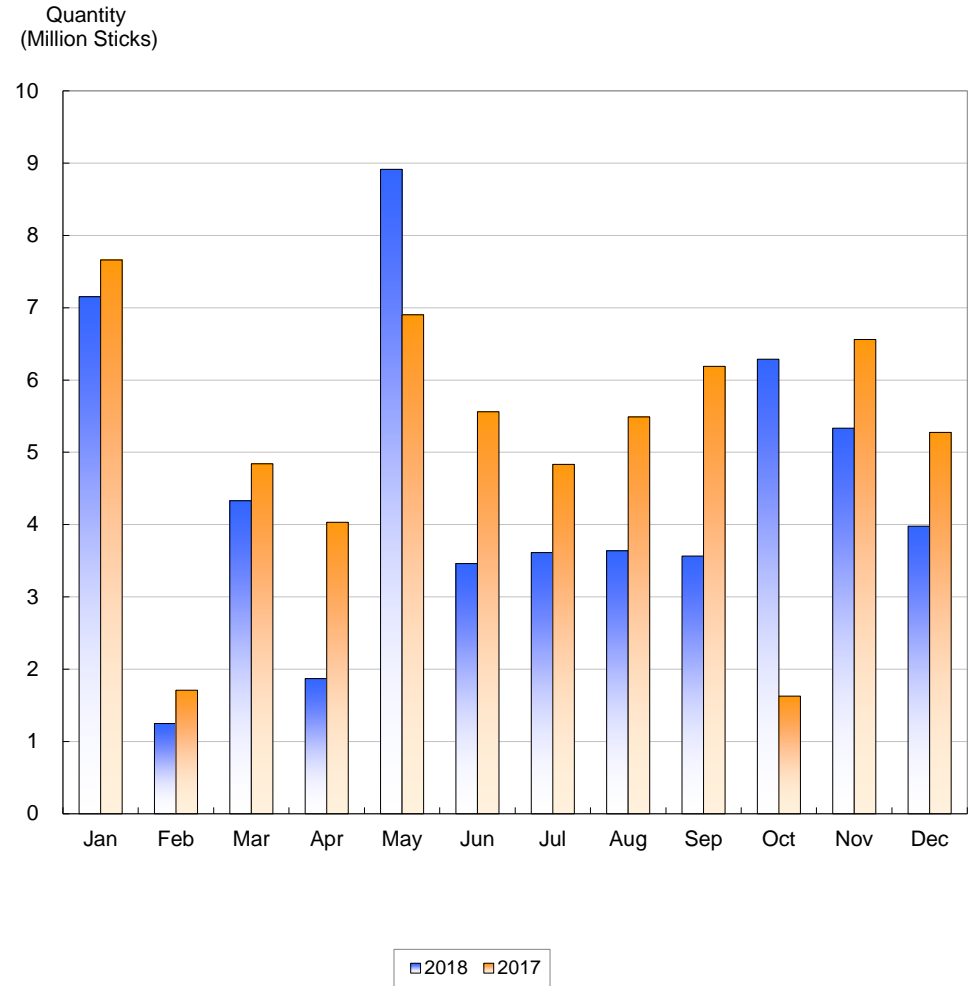


Result of Anti-cigarette Smuggling Operations

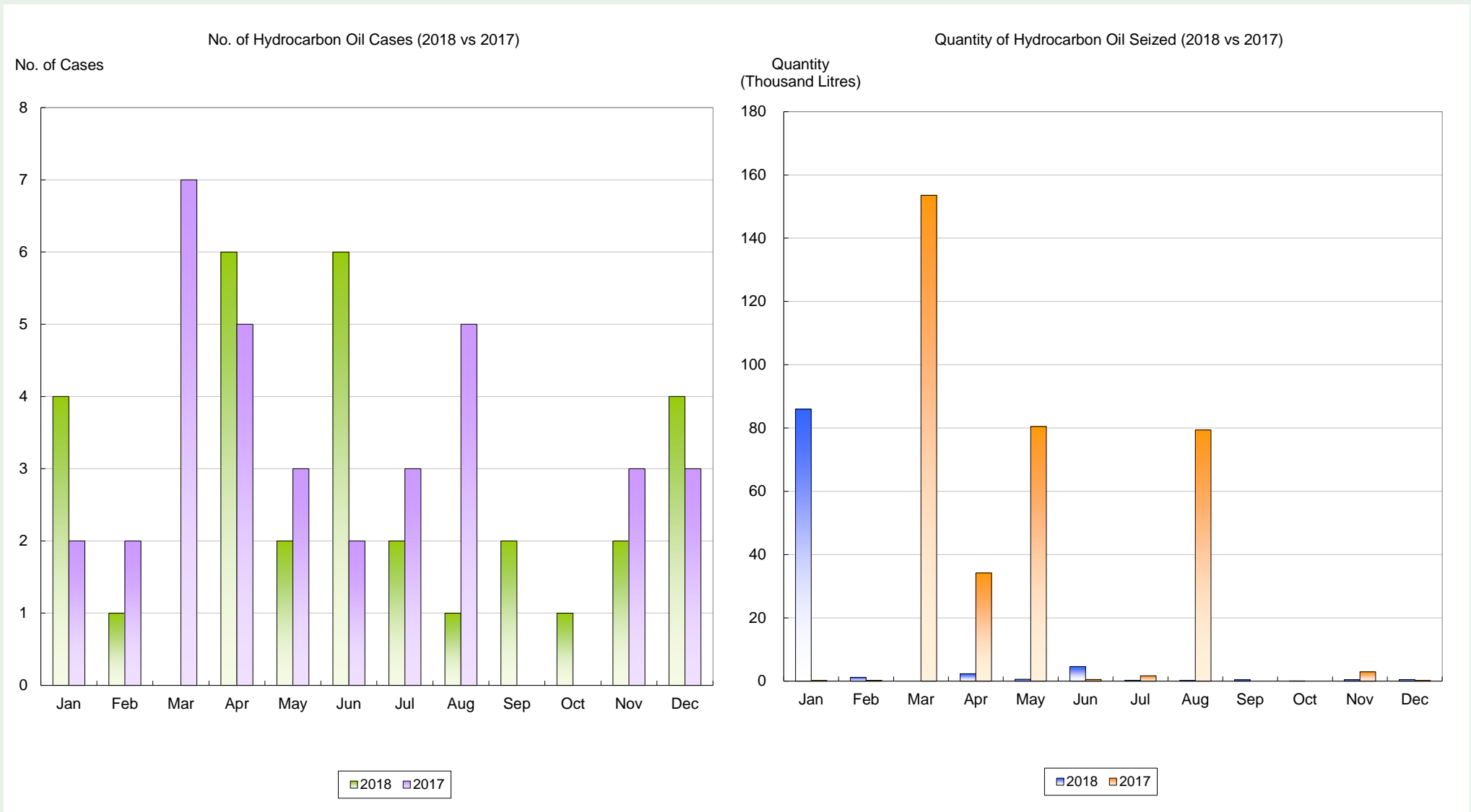
No. of Cigarette Smuggling Cases (2018 vs 2017)



Quantity of Smuggled Cigarettes Seized (2018 vs 2017)



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	Prevention 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
57	Companies Ordinance	Cap. 622
58	Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance	Cap. 629

Actual revenue for 2017-18 and 2018-19

	Actual Revenue	
	2017-18	2018-19
	HK\$'000	HK\$'000
Duties		
Hydrocarbon Oils	3,747,272	3,753,013
Tobacco	6,425,638	6,310,522
Alcoholic Beverages	523,286	567,416
Other Alcoholic Products	4,769	4,681
Sub-total	10,700,965	10,635,632
Fees charged under Dutiable Commodities Ordinance		
Licence Fees	5,283	5,898
Attendance Fees	476	457
Denaturing Fees	278	237
Storage Fees	0	0
Sub-total	6,037	6,592
Trade Declaration Charges		
Imports and Exports Declaration Charges	970,708	671,020
Clothing Levy Service Charges (see Note)	51	57
Penalties	75,104	73,763
Sub-total	1,045,863	744,840
Miscellaneous	87,217	89,539
Total	11,840,082	11,476,603
Note : Clothing Industry Training Levy collected on behalf of the Clothing Industry Training Authority	119	91

Actual expenditure for 2017-18 and 2018-19

	Actual Expenditure	
	2017-18	2018-19
	HK\$'000	HK\$'000
Operating Account		
Personal Emoluments		
Salaries	2,666,955	2,962,788
Allowances	65,318	71,594
Job-related allowances	11,393	11,713
Sub-total	2,743,666	3,046,095
Other Recurrent Expenses		
Personnel related expenses	158,870	195,144
Rewards and special services	12,205	14,893
General departmental expenses	621,748	728,493
Land usage cost	4,699	5,025
Grant to the Customs and Excise Service Welfare Fund	291	310
Seizure management	45,720	47,451
Sub-total	843,533	991,316
Capital Account		
Plant, vehicles and equipment	11,686	64,232
Minor plant, vehicles and equipment	31,722	34,056
Sub-total	43,408	98,288
Total	3,630,607	4,135,699

Case Statistics (2017)

Ordinance	Number of Cases	Number of Arrests	Estimated Value of Seized Items (HK\$'000)
Anti-Money Laundering & Counter-Terrorist Financing (Financial Institutions)	27	4	4
Antibiotics	4	2	19
Consumer Goods Safety	60	-	2,077
Control of Chemicals	13	3	2,098
Control of Obscene & Indecent Articles	27	30	1,643
Copyright / Prevention of Copyright Piracy	115	145	11,320
Criminal Procedure	47	-	770
Customs & Excise Service	13	15	14
Dangerous Drugs	952	326	336,095
Dangerous Goods	6	6	31
Dutiable Commodities	15 348	8 315	97,701
Firearms & Ammunition	45	14	2,611
Food Safety	27	24	41
Immigration	42	49	10,313
Import & Export	4 960	4 183	680,417
Organized & Serious Crimes	8	15	2,484
Pharmacy & Poisons	282	67	25,167
Plant (Importation & Pest Control)	13	6	64
Protection of ES of Animals & Plants	434	251	150,376
Public Health & Municipal Services	512	413	573
Public Health (Animals & Birds)	7	3	12
Public Order	1	-	65
Rabies	24	23	128
Reserved Commodities	32	5	1,390
Summary Offences	3	-	6
Telecommunication	29	2	1,759
Theft	1	-	1,500
Toys & Children's Products Safety	78	-	160
Trade Descriptions	990	752	116,785
Waste Disposal	37	-	3,740
Weapons	44	20	3,640
Weights & Measures	50	-	100
Other Ordinances	76	46	8
All Ordinances *	23 509	14 348	1,285,432

Case Statistics (2018)

Ordinance	Number of Cases	Number of Arrests	Estimated Value of Seized Items (HK\$'000)
Air Pollution Control	4	-	1
Consumer Goods Safety	36	-	6
Control of Chemicals	2	-	320
Control of Obscene & Indecent Articles	12	12	895
Copyright / Prevention of Copyright Piracy	119	143	6,005
Cross-boundary Movement of Physical Currency	33	33	1
Customs & Excise Service	12	15	232
Dangerous Drugs	919	393	449,663
Dangerous Goods	13	13	2,105
Drug Trafficking (ROP)	4	2	829
Dutiable Commodities	20 613	13 402	122,970
Firearms & Ammunition	26	9	941
Food Safety	50	48	402
Immigration	46	66	7,449
Import & Export	5 643	4 220	512,522
Organized & Serious Crimes	11	11	8
Pesticides	2	-	1
Pharmacy & Poisons	117	60	4,272
Plant (Importation & Pest Control)	20	8	52
Prevention of Cruelty to Animals	1	1	1
Protection of ES of Animals & Plants	744	523	71,630
Public Health & Municipal Services	767	607	1,527
Public Health (Animals & Birds)	7	5	40
Rabies	4	4	12
Reserved Commodities	40	6	390
Summary Offences	2	-	31
Telecommunication	23	1	1,230
Toys & Children's Products Safety	76	-	85
Trade Descriptions	1 043	772	106,846
Waste Disposal	53	-	7,793
Weapons	86	17	2,140
Weights & Measures	56	-	21
Other Ordinances	131	77	121
All Ordinances *	29 827	20 023	1,221,060

* 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	2017		2018	
	Quantity	Estimated Value of Seized Items (HK\$'000)	Quantity	Estimated Value of Seized Items (HK\$'000)
Dangerous Drugs ⁽¹⁾				
Heroin (kg)	5.6	4,455	30.1	25,406
Opium (kg)	10.8	1,093	8.7	1,034
Cannabis (kg)	231.7	40,336	141.1	26,181
Ketamine (kg)	58.3	19,654	18.5	10,950
Cocaine (kg)	139.9	138,561	253.2	268,024
Methamphetamine (kg)	122.6	40,175	147.1	77,662
MDMA (tablet)	1 721	639	4 527	2,393
Synthetic Cathinones (bath salts) (kg)	348.3	46,560	187.1	22,129
Other psychotropic drugs (tablet)	2 315	4,963	1 675	10,188
Dutiable Commodities ⁽²⁾				
Cigarette (mille)	62 395	165,871	55 422	147,844
Other tobacco (kg)	20 707	13,830	8 009	21,945
Hydrocarbon oil ('000 litre)	353	1,197	97	476
Liquor ('000 litre)	29	3,581	6	2,837
Import & Export				
Mobile phone (no.)	68 272	47,586	104 931	142,485
Motor vehicle (no.) ⁽³⁾	90	21,827	67	15,053
Vessel / speedboat (no.)	20	1,500	31	5,681
Copyright				
Optical disc ('000 no.)	387	10,949	161	4,875
Book and printing material (no.)	138	1	1 231	-
Forged Trademark (FTM)				
Garment and accessories ('000 pc)	87	8,123	475	29,864
Leather goods ('000 pc)	38	11,572	59	10,753
Watch and parts ('000 no.)	16	7,349	181	7,494
Footwear ('000 pairs)	61	11,892	228	19,502
Pharmaceutical products ('000 no.)	139	6,582	344	2,346
Electronic, electrical & computer goods ('000 no.)	536	41,353	271	16,777
Others				
Ivory & related products (kg)	7 571	80,190	372	4,243
Fireworks (kg)	12	2	1 051	198
Firearms and parts (no.)	9	22	91	27

(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 and Search of Persons / Vehicles at Control Points

	2017	2018
No. of persons stopped and searched	115 490	131 540
No. of vehicles checked	479 310	525 750

Training and Development Activities

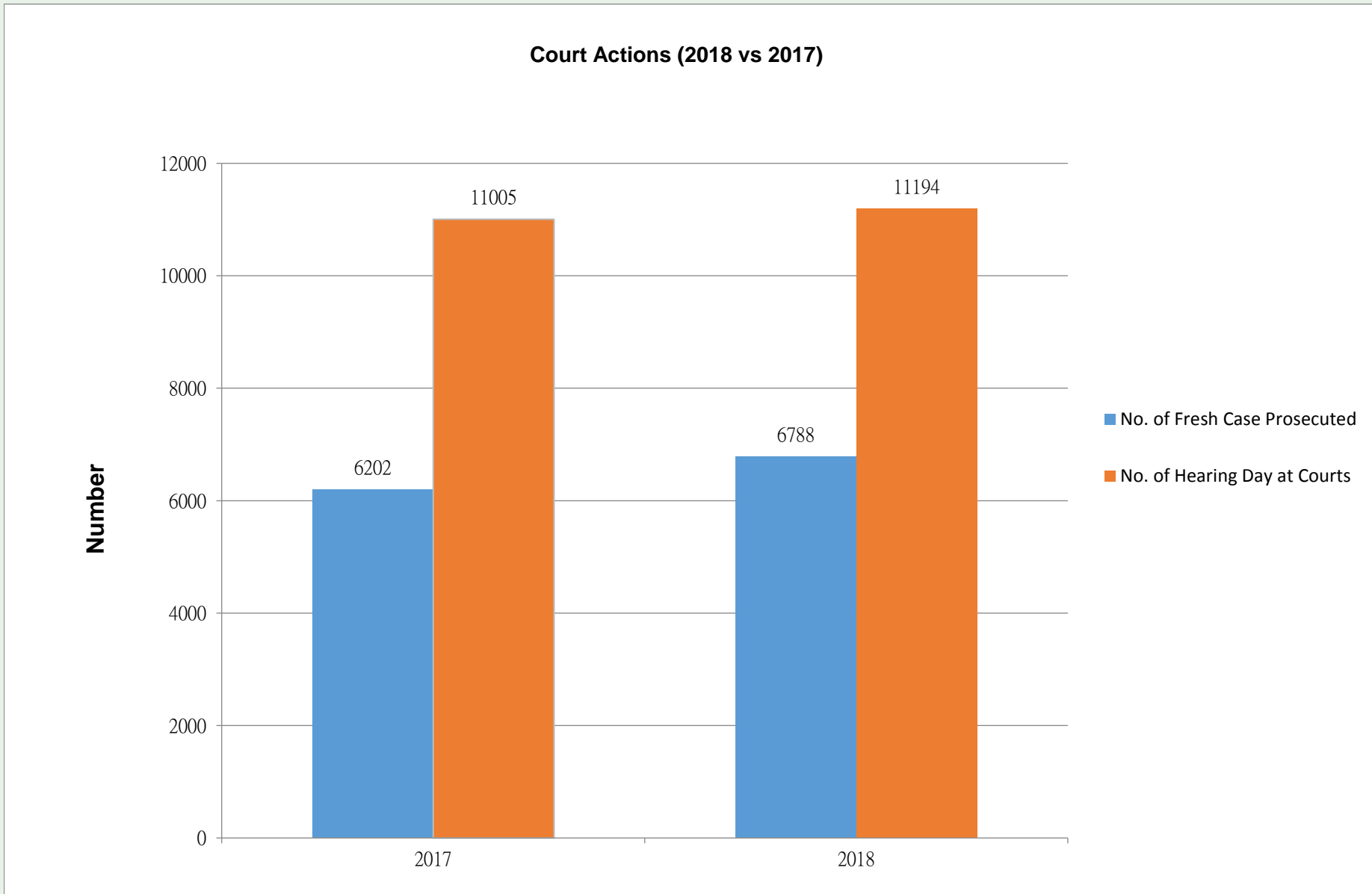
Programme	No. of classes	
	2017	2018
Induction and Continuation		
Induction Course:		
<i>For probationary Inspectors</i>	5	1
<i>For probationary Customs Officers</i>	24	30
<i>For probationary Assistant Trade Controls Officers</i>	3	1
Continuation Course:		
<i>For probationary Inspectors</i>	3	3
Functional Competency		
<i>For C&E Service Members</i>		
AMS First Aid Refresher Course		4
AMS Basic First Aid Course		1
Raiding Techniques Course	2	4
Criminal Intelligence Analysis Training	2	2
Standard Criminal Investigation Course	4	4
Commercial Crime Investigation Course	2	2
Accident Investigation & Prevention Course	2	
Basic Safety Management Course		1
Raiding, Apprehension and Escort (RAE) Course for Frontline Officers	6	4
Safe Handling of Chemicals Course	1	1
Safe Use of Display Screen Equipment Course	2	1
Certificate of Competence in Manual Handling Course	2	1
Seafreight Operation Course	1	1
Import and Export Trade Practices Course	1	1
Dog Bite Safety Course	1	
Office Safety cum working Under Inclement Weather and Hot Environment Course	1	1
Mental Health First Aid Course	1	1
Information Security Essentials: Trends & Latest Updates		2
Mental Health First Aid Standard Course Extension - Peer Counseling & Skills	1	1
Workshop on Handling of Problem Gambling	1	1
Safety Inspection Course	2	1
Basic Risk Assessment Course	1	1
Intelligence & Investigation Course	3	6
Enhanced Intelligence & Investigation Course		1
Training Course for Health and Welfare Managers	1	1
Conflict Management Course	1	1
Legal Training Course		1
Advanced Legal Training Course for Prosecution Liaison Officers / OC Cases	1	
Case Management Course for Inspectorate Officers	2	2
Case Processing Course for COG Officers	2	
Train-the-Trainer Course on Video Interview System	1	1
Train-the-Trainer Course on X-ray Screener	2	2
Train-the-Trainer Course on Trace Contraband Detector		3
Train-the-trainer Course on Passive Millimetre Wave Screening System		1
Train-the-Trainer Course on Mobile X-ray Vehicle Scanning System	1	
Train-the-Trainer Course on Conflict of Interest		1
Cargo Processing Course	13	12
Passenger Processing Course	12	12
Foot Drill Instructor Course	3	3
Use of Force Instructors' Course	2	
Use of Force Instructors' Update Course	4	

Training and Development Activities

Programme	No. of classes	
	2017	2018
Shark Fin Identification Workshop	3	
Driving Techniques and Safety Workshop	1	1
Firearms and Special Equipment Training Courses		
Range Management Course	2	2
Arms Cleaning Course	2	2
HK MP5 Sub-machine Gun Training Course		1
Annual HK MP5 Sub-machine Gun Refresher Course	4	4
Shotgun Training Course	2	2
Annual Shotgun Refresher Course	16	16
Shotgun Instructor Course	1	
HK 53 Sub-machine Gun Training Course	1	1
Annual HK 53 Sub-machine Refresher Course	5	6
Thigh Draw Holster Training Course	2	2
Thigh Draw Holster Refresher Course	8	8
Signal Pistol Training Course	6	
Bus (under 30 seats) Driving Course	11	10
Light Goods Vehicle Driving Course	21	23
<i>For TCOG Officers</i>		
Legal Writing for Civil Sanction	2	1
Basic Control Tactics (RAE) Course	1	1
Criminal Investigation Techniques Workshop	3	2
Import and Export Practices and China Cargo Customs Clearance Procedure	1	1
Workshop on Preparation of Prosecution Papers	2	4
Investigation Techniques in Handling Internet Crime	3	3
Legal Training Workshop	1	1
Advanced Workshop on Performance Appraisal Writing for STCO	1	
Legal Training Seminar for TCOG Officers	1	
Management Development		
<i>For C&E Service Members</i>		
COG Supervisory Course	2	2
Customs Officer Development Course	3	2
Integrity Awareness Seminar	2	2
<i>For Both C&E Service Members and TCOG Officers</i>		
Customs Command Course	1	
<i>For TCOG Officers</i>		
Managing Self Integrity	2	2
TCO Management & Development Programme / Course (Part I)	1	1
TCO Management & Development Programme / Course (Part II)	1	
Course on Mental Health & Building of Caring Colleagues Culture	1	1
Building Resilience and Creating a Supportive Working Environment	1	1
Train-the-Mentor Workshop	3	2
Communication		
<i>For TCOG Officers</i>		
Presentation Skills Workshop	1	1
Job-related Putonghua Workshop	1	1
Advanced Workshop on Customer Service Skills	1	1
Replies to Enquires / Complaints	1	
Advanced Workshop on Presentation Skills	1	
Practical Chinese Writing Skills for TCOG Officers		1

Training and Development Activities

Programme	No. of classes	
	2017	2018
Training for Visiting Customs Officials		
Customs Management Course for Mainland Customs	1	2
Customs Practices Training Course for Mainland Customs	1	



Range of Fines (2018 vs 2017)

