

# Customs records vigorous law enforcement results and outlines smart development plan

The Commissioner of Customs and Excise, Mr Hermes Tang, chaired the 2018 year-end press conference held at the Customs Headquarters Building today (January 31) to give a review of the department's vigorous law enforcement results and sustainability in the provision of trade facilitation during the year. He also outlined the department's blueprint in developing smart customs.

## Overall situation

In 2018, a total of 22,553 cases were detected with 20,019 people arrested, up 38 per cent and 40 per cent respectively year on year. The total seizure value decreased by 4 per cent to \$1.22 billion. About 60 per cent of the cases related to illicit cigarettes, followed by infringing and dangerous drug cases.

## Dangerous drugs

In 2018, 919 drug cases were detected, a 3 per cent decrease compared with 2017's figure. A total of 393 arrests and seizures of 1,352 kilograms of drugs were made, representing increases of 21 per cent and 22 per cent respectively.

Major seizures in quantity order were gamma-Butyrolactone (343.8kg, a 1.8-fold increase), cocaine (255.4kg, an increase of 83 per cent) and cathinone (bath salts) (192.6kg, a decrease of 45 per cent). While the total cannabis seizure fell 38 per cent to 142.6kg, seizures at the airport jumped 69 per cent to 132.4kg.

Seizures at the airport jumped 47 per cent to 1,059kg, accounting for about 78 per cent of the total drug seizure in the year. Of the airport seizures, 420kg were made at the air cargo terminals, which was a 59 per cent increase from the 2017 figure.

Six big cases, each with a seizure value of more than \$10 million, were detected in 2018. A total of 33kg of methamphetamine (commonly known as "ice") and 176kg of cocaine were seized in the six cases. 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.

Close co-operation with the Mainland and overseas enforcement agencies will be maintained to smash the source supply to Hong Kong or to other places via the city. Hong Kong Customs will also continue to work with the logistics

industry through the established notification mechanism. In 2018, the mechanism worked well, under which a total of 143 drug cases were detected, which was an increase of 35 per cent year on year.

## Smuggling

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In 2018, a total of 216 cases of importing or exporting unmanifested cargo under the Import and Export Ordinance were detected, an increase of 4 per cent on year. Same as the level in 2017, 216 arrests were made. The seizure value dropped 21 per cent to \$417 million.

Mainland-Hong Kong cases accounted for around 86 per cent of the total number, a surge of 5 per cent from 2017. The value of electrical and electronic goods seized also surged 70 per cent in 2018 to \$175 million. The sea smuggling seizure value increased 1.1-fold to \$179 million.

A total of 270 cases with a seizure value of around \$26 million were detected from the air cargo channel, representing increases of 17 per cent and 19 per cent respectively.

In the interception of items of endangered species, 745 cases were detected, in which 528 people were arrested and items totalling more than 270,000kg were seized, representing increases of 72 per cent, 1.1-fold and 3.3-fold respectively. The value of the items seized dropped by 48 per cent. When excluding the record ivory seizure made in 2017 in which around 7,000kg of raw ivory tusks were seized, the total seizure weight rose 3.8-fold while the total value remained at the same level.

Nineteen big cases were detected in 2018, each with a seizure value of more than \$5 million. While the total seizure value of these cases reached \$246 million, commodities valued at \$34 million and \$22 million were seized respectively in two single cases.

The department will continue to strengthen its risk-assessment and intelligence exchange with the Mainland and overseas law enforcement agencies to combat smuggling at sources. Sea and land patrols will also be stepped up. To crack down on smuggling syndicates more effectively, the department will keep up proactive investigation under the Organized and Serious Crimes Ordinance to restrain and confiscate criminal proceeds.

## Illicit cigarettes

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On the anti-illicit cigarette operation front, the number of detected cases rose 71 per cent to 13,582 cases in 2018, with 53.4 million cigarettes involving excise duty of \$102 million seized, representing a 12 per cent drop as compared to 2017's figure. A total of 13,040 people were arrested, which was up 63 per cent from the 2017 level. Due to a more stringent strategy, the number of in-bound mega cases (those involving 500,000 cigarettes or above) dropped 52 per cent to 14, resulting in the seizure of 19.5 million cigarettes.

Tackling at source has proved to be an effective way to cut off the illicit cigarette supply chain, resulting in decreases in the overall figures. The department will keep up the holistic enforcement in a bid to achieve an all-round approach: interception in the upper stream, storehouse smashing in the middle, and tackling the selling activities in the lower end.

While the Joint Effort with Community against Illicit Cigarettes programme implemented with the Housing Department's co-operation, which covers more than 190 public housing estates, continues to operate well, the anti-illicit cigarette message also started to connect to the GovWiFi programme in the year for wider publicity.

#### Revenue collection

For revenue collection on dutiable commodities, duty collected by the department last year amounted to \$10.68 billion, close to the 2017 figure. Of the total amount, \$6.35 billion was from tobacco products, \$3.74 billion was from hydrocarbon oil, and the rest came from alcoholic products. Forty-two cases of Motor Vehicles (First Registration Tax) Ordinance violation were detected in 2018.

#### Intellectual property rights protection

On intellectual property rights protection, 951 infringing cases were detected and 725 arrests made, representing annual increases of 4 per cent and 1 per cent respectively. The number of infringing items seized increased by 23 per cent to 2 million while the seizure value was around \$104 million, down 12 per cent as compared to 2017's figure. Major seizures included clothes and accessories, pharmaceutical products, electrical and electronic goods, shoes and watches.

Joint special operations were conducted by the Hong Kong and Mainland Customs from April to June to combat infringing activities related to the 2018 FIFA World Cup matches. More than 220,000 suspected counterfeit items worth about \$14 million were seized. A total of 485 suspected illicit TV set-top boxes were also intercepted in the year.

In 2018, the department detected 207 cases of Internet infringement. The total seizure value jumped to \$3.5 million, which was a 35 per cent increase from the 2017 figure. In particular, the number of online piracy cases detected jumped 1.5-fold to 20 cases.

Forty-five cases of making use of Internet platforms by physical shops in soliciting for business were detected, which was an increase of 67 per cent. The seizure value also rose 18 per cent from \$1.73 million in 2017 to \$2.05 million in 2018.

With stringent enforcement action and unwavering public education efforts, the number of students arrested was down more than 40 per cent from 65 in 2017 to 35 in 2018.

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.

Apart from the arrests and seizures made, one mastermind and five members of an organised counterfeiting syndicate arrested in 2016 were sentenced to 11 to 26 months' imprisonment in 2018 for contravention of the Trade Descriptions Ordinance, the Organized and Serious Crimes Ordinance and the Crimes Ordinance. During the operation, over 12,000 items of counterfeit goods with an estimated market value of over \$5 million were seized. Over \$1.5 million worth of crime proceeds was also confiscated.

#### Festive/long holiday operations

Special operations were conducted during the periods of the Lunar New Year, the summer holiday, Singles' Day sales campaigns and Christmas/New Year Eve in 2018. A total of 3,760 cases were detected, resulting in the arrest of 3,518 people and the seizure of prohibited or controlled items and smuggled commodities with an estimated value of \$144.5 million. Customs deployment has been stepping up with the coming of the Lunar New Year.

#### Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance

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 last December, 15,049 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.

#### Money service operator supervision

In 2018, the department issued 390 money service operator (MSO) licences and renewed 528 others. During the year, the department conducted checks on 189 MSOs' compliance with customer due diligence, record-keeping obligations and other licensing requirements. Four prosecutions were made against unlicensed operation. In one case, a court sentence of a fine of \$40,000 was given.

#### Consumer protection

More than 4,000 checks and inspections were conducted in the year and 142 enforcement cases were made, bringing about 66 successful prosecutions.

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.

In order to step up the department's anti-unfair trade practice publicity efforts, a new booklet on cases of successful prosecutions under the Trade Descriptions Ordinance was published. The booklet strengthens the knowledge of traders and consumers on the Ordinance and serves to promote a sense of compliance and remind readers on the significance of consumer rights protection. Short videos to promote trade compliance among traders will also be produced later.

With regard to toys and children's product safety, general consumer goods safety and short weighing, the department conducted more than 4,800 checks and inspections altogether, with 76, 36 and 56 enforcement cases effected respectively, resulting in 34 successful prosecutions.

## Trade facilitation

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The Government launched last month Phase 1 of the Trade Single Window (TSW), which initially covers five types of import and export trade documents for specific types of commodities and is aimed to be progressively extended to cover 13 types of trade documents in the first half of 2019 at the earliest. Phase 1 of the TSW provides a voluntary e-option for the trade to lodge the relevant types of documents through a single electronic platform.

To tie in with the launch of Phase 1 of the TSW, Hong Kong Customs has set up a dedicated office to oversee the system's operation and provide support for TSW users through training, a help desk and hotline services.

The number of enterprises accredited as Authorized Economic Operators (AEOs) under the AEO Programme increased to 50 as of December 31, 2018. With the latest Mutual Recognition Arrangement (MRA) with New Zealand signed last year, Hong Kong has signed nine MRAs since the launch of the AEO Programme in April 2012, making the city the fourth economic entity following Korea, the United States and Japan in terms of the number of MRA partners engaged. The MRA with New Zealand was signed on top of those with the Mainland, India, Korea, Singapore, Thailand, Malaysia, Japan and Australia signed earlier. In

June last year, an Action Plan was signed with Canada, signifying the commencement of formal MRA procedures between the two entities.

The facilitation measures under the Wine Facilitation Scheme operated by the Hong Kong and Mainland Customs have been refined since the scheme's implementation in June 2010. Started in November 2017, the scheme has been extended to all 42 Mainland customs districts and wine re-exported from Hong Kong enjoys instant customs clearance. Up to the end of 2018, more than 19 million bottles of wine (valued at around \$890 million) have been re-exported to the Mainland under the scheme.

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.

Rolled out at the end of 2015, the Free Trade Agreement Transshipment Facilitation Scheme has been well received with 14,935 applications with goods valued at around US\$1.16 billion and estimated tariff reduction exceeding US\$81 million by the end of 2018.

#### Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link/Hong Kong-Zhuhai-Macao Bridge Hong Kong Port

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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 last 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.

## Human resources development

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In regard to recruitment, an all-year-round recruitment exercise for Customs Officers started in October 2017 with more than 26,000 applications received. The recruitment exercise for Probationary Customs Inspector also finished on schedule in 2018 and 64 were recruited. In order to match with the department's development and fill up the retirement vacancies, around 90 inspectors and 450 Customs Officers will be recruited in 2019. A new recruitment round for Customs Inspectors will be opened for application in the second quarter of 2019.

## Way forward

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### Smart customs

In talking about the department's way forward, Mr Tang noted that Hong Kong Customs highly values the importance of sustainable development. In order to line up the department's growth with the policy agenda of smart customs clearance and law enforcement described in the Chief Executive's 2018 Policy Address, Hong Kong Customs 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".

Mr Tang pointed out that the department's initial plan is to play a more diversified role by becoming an "economic development promoter", on top of maintaining its traditional role as "law enforcer and service provider" and strengthening its function as "trade facilitator".

Mr Tang said that through refining its function and management and focusing on the areas of gate-keeping and trade facilitation, Hong Kong Customs' service regime will be extended from the conventional boundary and inland enforcement and the provision of service for the domestic economy to making a contribution to regional and global economic development under the context of the Guangdong-Hong Kong-Macao Greater Bay Area development.

Hong Kong Customs will build up a four-key-pillar concept comprising "Smart Boundary Management", "Smart Investigation and Risk Management", "Smart Trade Facilitation" and "Smart Business Development". Covering all core aspects of the department's business, the ultimate goal is to build up an all-in-one smart customs system.

With the coming of the opening of the Liantang/Heung Yuen Wai Boundary Control Point following the commencement of the XRL and the HZMB Hong Kong Port last year, the department will explore the building up of a "smart customs control point" for speedy clearance and crime-fighting purposes in the "Smart Boundary Management" front.

In "Smart Investigation and Risk Management", the department will study how to refine its big data analytics system and strengthen efforts in

various areas including consumer rights protection.

In "Smart Trade Facilitation", the department will continue to work with the Commerce and Economic Development Bureau and further develop the TSW to make trade document submission convenient for traders through a one-stop information technology platform.

Mr Tang said that while these three concepts focus on the roles of a law enforcer and service provider and a trade facilitator, Hong Kong Customs should go further in a timely manner and become one of the economic development promoters. Development along the concept of "Smart Business Development" is therefore needed to tie in with the Greater Bay Area development and the Belt and Road Initiative. In this regard, the department will study ways to enhance supply chain security management and clearance efficiency. Ways of refining the Hong Kong AEO Programme and the Wine Facilitation Scheme will be explored, while work in the area of intellectual property protection will also be strengthened so that a more business-friendly environment can be created to attract foreign investment and help enterprises "go global".

110th anniversary of the department's establishment

The year 2019 marks the 70th anniversary of the establishment of the People's Republic of China and the 110th anniversary of the department's establishment. Mr Tang pointed out that, with Hong Kong having returned to the Motherland for almost 22 years and adhering to the "one country, two systems" principle, Hong Kong's status as a separate customs territory has been well maintained and the department's co-operation with its Mainland counterparts on customs clearance and law enforcement has also been strengthened. Mr Tang said that a series of entertaining programmes with a slogan of "110 Years of Commitment, Ongoing Pursuit of Excellence", including an open day at the Customs Headquarters Building, a parade and a charity sports competition, will be organised to offer good opportunities for members of the public to learn more about the department's work under the "one country, two systems" principle. Sharing its vision in taking up challenges and seeking development through the programmes, Hong Kong Customs will continue to work together with the whole community for the prosperity and stability of both the country and Hong Kong. Preparation is ongoing and details will be released when available.

Conclusion

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Concluding his briefing, Mr Tang said that 2018 was a momentous year for Hong Kong Customs to build on past successes and open up future opportunities. He pledged that 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.