

CONTROLLING OFFICER'S REPLY

SB136

(Question Serial No. 0057)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

It is mentioned under the Programme that the Customs and Excise Department (C&ED) suppresses illicit trafficking in and abuse of dangerous drugs, combats money laundering and prevents diversion of controlled chemicals for the illicit manufacture of dangerous drugs. In this connection, will the Government inform this Committee of the following:

- a. According to the information, there are upward trends in the quantities of narcotics, dangerous drugs and psychotropic drugs seized by C&ED. How will C&ED address this situation?
- b. The quantity of dangerous drugs seized outside Hong Kong increased by 7 times from 2022 to 2023. What specific measures will C&ED take to address the situation?
- c. Will C&ED step up publicity and public education? If yes, what are the details?

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 4)

Reply:

The Customs and Excise Department (C&ED) has all along been striving to combat drug trafficking activities at all levels. Apart from stepping up enforcement at all control points, C&ED has also strengthened intelligence exchange with Mainland and overseas law enforcement agencies so as to combat drug trafficking activities at source and, in conjunction with financial investigations, trace the capital flow of drug syndicates to combat money laundering and apply to the court for confiscating drug-related assets. In addition, taking into account the drug trafficking trends, C&ED formulates targeted plans to crack down on organised drug syndicates and individual drug offenders, and conducts joint operations with Mainland and overseas law enforcement agencies in a timely manner, with a view to enhancing enforcement effectiveness.

In 2023, C&ED detected 1 362 drug cases, in which approximately 8.8 tonnes of the five major drugs (namely heroin, cocaine, cannabis, methylamphetamine (ice) and ketamine) were seized, representing an increase of 46% and 56% respectively in the number of cases detected and the amount of major drugs seized as compared to 2022. Meanwhile, C&ED detected a number of large-scale drug trafficking cases, including the seizure of approximately 444 kg of liquid cocaine (amounting to around 22% of cocaine seized in the year) at the Kwai Chung

Customhouse Cargo Examination Compound and the seizure of approximately 311 kg of cannabis (amounting to around 13% of cannabis seized in the year) at the Tsing Yi Customs Cargo Examination Compound. Moreover, through cross-boundary collaboration and intelligence exchange, C&ED assisted Mainland and overseas law enforcement agencies in the seizure of approximately 1 459.6 kg of drugs outside Hong Kong, representing an increase of more than 6 times as compared to 2022. The figures show that C&ED's enforcement strategies are effective in combating cross-boundary drug trafficking activities. C&ED will continue to combat drugs by carrying out stringent enforcement actions and thorough investigation into drug offences.

C&ED has been actively organising various anti-drug publicity and education programmes, including anti-drug talks at schools and organisations, and working closely with the Narcotics Division of the Security Bureau to explain the harmful effects of drugs and remind members of the public to comply with the relevant legislation through television and radio Announcements in the Public Interest and a wide range of promotional materials. C&ED also organises talks and various forms of anti-drug publicity and education programmes through Customs YES to disseminate anti-drug messages to young people.

- End -

CONTROLLING OFFICER'S REPLY

SB137

(Question Serial No. 1685)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

Under the Indicators, the number of cases of dangerous drugs, heroin and psychotropic drugs seized in Hong Kong recorded a sharp surge in 2023. In this connection, will the Government inform this Committee of:

- a) the reasons for the sharp surge in the number of cases of narcotics and dangerous drugs;
- b) the statistics on narcotics and dangerous drugs seized by the Customs and Excise Department (C&ED) in the past 5 years;
- c) What specific measures will be taken by C&ED to combat the rampant drug activities? Will manpower and financial resources be substantially increased to curb the undesirable situation?

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 18)

Reply:

a) The Customs and Excise Department (C&ED) has all along been striving to combat drug trafficking activities at all levels. Apart from stepping up enforcement at all control points, C&ED has also strengthened intelligence exchange with Mainland and overseas law enforcement agencies so as to combat drug trafficking activities at source.

According to a report published by the United Nations Office on Drugs and Crime, the increase in drug seizure amount is the global trend in recent years. C&ED has also noted that after the pandemic, the latest mode of drug trafficking has changed to a dual-track mode, i.e. trafficking drugs across border through individual passengers (“ants moving home”) and as large consignments in parallel. Having regard to the latest drug trafficking trends, C&ED formulates targeted plans to crack down on organised drug syndicates and individual drug offenders, and conducts joint operations with Mainland and overseas law enforcement agencies in a timely manner, with a view to enhancing enforcement effectiveness. In 2023, C&ED detected 1 362 drug cases, in which approximately 8.8 tonnes of the five major drugs (namely heroin, cocaine, cannabis, methylamphetamine (“ice”) and ketamine) were seized, representing an increase of 46% and 56% respectively in the number of cases detected and the amount of major drugs seized as compared to 2022. The figures show that C&ED’s

enforcement strategies are effective. The increase in the drug seizure amount is also in line with the global trend.

b) The number of drug cases detected and the amount of the 5 major drugs (namely heroin, cocaine, cannabis, “ice” and ketamine) seized by C&ED in the past 5 years are as follows:

	2019	2020	2021	2022	2023
Number of cases	827	1 111	906	931	1 362
Amount of the 5 major drugs seized (kg)	1 514	2 545	3 673	5 678	8 835

c) C&ED will continue to closely monitor intelligence around the world. Through risk assessment, intelligence analysis and collaboration with other law enforcement agencies, C&ED will adopt targeted strategies and flexibly deploy existing manpower and resources in a timely manner, with a view to rigorously combating drug trafficking activities.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2813)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

Except for “ice” (methamphetamine), all the drugs seized by the Customs and Excise Department (C&ED) in 2023 recorded drastic increases in quantities as compared with 2022. Did C&ED analyse the reasons for the surges in the quantities of drugs seized in 2023, and whether these seizures were mainly for sale in the local Hong Kong market or for transit to other regions via Hong Kong? If yes, what were the reasons for the surges in the quantities of drugs seized, and the proportion of drugs sold locally to drugs for transit to other regions? If not, what were the reasons?

Will C&ED implement new measures in the coming year in response to the new drug trafficking trend to combat various offences involving drugs? If yes, what are the details of these measures? If not, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 41)

Reply:

The Customs and Excise Department (C&ED) has all along been striving to combat drug trafficking activities at all levels. Apart from stepping up enforcement at all control points, C&ED has also strengthened intelligence exchange with Mainland and overseas law enforcement agencies so as to combat drug trafficking activities at source.

According to a report published by the United Nations Office on Drugs and Crime, the increase in drug seizure amount is the global trend in recent years. C&ED has also noted that after the pandemic, the latest mode of drug trafficking has changed to a dual-track mode, i.e. trafficking drugs across border through individual passengers (“ants moving home”) and as large consignments in parallel. Having regard to the latest drug trafficking trends, C&ED formulates targeted plans to crack down on organised drug syndicates and individual drug offenders, and conducts joint operations with Mainland and overseas law enforcement agencies in a timely manner. In 2023, C&ED detected 1 362 drug cases, in which approximately 8.8 tonnes of the five major drugs (namely heroin, cocaine, cannabis, methamphetamine (“ice”) and ketamine) were seized, representing an increase of 46% and 56% respectively in the number of cases detected and the amount of major drugs seized as

compared to 2022. The figures show that C&ED's enforcement strategies are effective. The increase in the drug seizure amount is also in line with the global trend.

Drug syndicates and their networks are complex and varied. Among the drugs seized, some were seized from import cargoes or seized locally, while some were seized from transshipment or export cargoes.

C&ED will continue to closely monitor intelligence around the world. Through risk assessment, intelligence analysis and collaboration with other law enforcement agencies, C&ED will adopt targeted strategies and flexibly deploy existing manpower and resources in a timely manner, with a view to rigorously combating drug trafficking activities.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2855)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

There is a net decrease of 55 posts under Programme (1).

1. What are the reasons for the decrease of posts, and what is the establishment involved? How much expenditure on emoluments is saved by the Customs and Excise Department (C&ED) as a result?
2. How much additional manpower will be deployed by C&ED this year, and what are the reasons? What major duties will the additional manpower be responsible for, and what is the expenditure incurred?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 31)

Reply:

In order to maintain the sustainability of public finance, the Government has strictly controlled the civil service establishment since 2021-22. The Government will continue to implement this initiative, and maintain the target of zero-growth in the civil service establishment in 2024-25, with the aim of containing the establishment at a level not exceeding that as at end-March 2021. Bureaux and departments (B/Ds) have enhanced effectiveness and efficiency through re-prioritisation, internal redeployment and streamlining of work processes, so that various new policies and initiatives of the Government can be taken forward. In addition, there are time-limited posts deleted every year upon expiry of the duration for which the posts are created or upon completion of the jobs concerned. Posts which no longer have operational needs would also be deleted by B/Ds after their review of their civil service establishments.

The Customs and Excise Department (C&ED), upon review of its civil service establishment, deleted 57 vacant posts, which no longer have operational needs, under Programme (1) in 2024-25, including 1 Office Assistant, 1 Cook and 55 Customs Officers, saving expenditure of \$20.5 million. In addition, apart from internal redeployment, C&ED plans to create 1 time-limited post of Assistant Commissioner of Customs and Excise and 1 time-limited post

of Assistant Superintendent of Customs and Excise to steer the work of the Secretariat Office of the World Customs Organization Vice-Chairperson for the Asia/Pacific Region, involving expenditure of \$3.75 million. The creation of the directorate post is subject to the approval of the Finance Committee of the Legislative Council. To this end, the Security Bureau consulted and obtained support of the Panel on Security on 27 February this year, and will submit the proposal to the Establishment Sub-committee for consideration and seek approval from the Finance Committee. As such, there is a net deletion of 55 posts under Programme (1) of C&ED in 2024-25, with a reduction in expenditure of \$16.75 million.

- End -

CONTROLLING OFFICER'S REPLY

SB190

(Question Serial No. 3794)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Security

Question:

The utilisation rate of the Hong Kong-Zhuhai-Macao Bridge was back on an upward track following the resumption of normal travel between the Mainland and Hong Kong in 2023. In this connection, will the Government inform this Committee of:

the plans and estimates for taking forward the development of Smart Customs and inspection facilities to achieve higher efficiency in vehicle clearance?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 25)

Reply:

In 2024-25, the Customs and Excise Department (C&ED) will continue to take forward the Smart Customs development to enhance efficiency for vehicular clearance. C&ED will continue to improve different electronic customs clearance platforms, make use of big data analytics and artificial intelligence (AI) to facilitate risk management and continue to deploy advanced inspection equipment, such as the Gantry Type X-Ray Vehicle Inspection Systems, Mobile X-Ray Vehicle Scanning Systems, Computed Tomography Scanners with AI functions, auto-detection devices for X-ray checkers, etc.. Moreover, C&ED will continue to promote and develop various vehicle clearance facilitation schemes, for example, the Inter-modal Transshipment Facilitation Scheme, the Single E-lock Scheme, the Hong Kong Authorized Economic Operator Programme, etc., and closely liaise with the trade to coordinate arrangements on customs clearance.

In 2024-25, C&ED's estimated expenditure under the Programme "Control and Enforcement" is \$4,742 million, involving an estimated number of 6 168 posts. As improving customs clearance services to facilitate efficient cross boundary passenger, cargo and vehicular flows constitutes part of the work of the Department, it is difficult to quantify such expenditure separately.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0254)

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) -

Programme: (3) Intellectual Property Rights and Consumer Protection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Despite the fact that the estimate for 2024-25 is 14.5% higher than the revised estimate for 2023-24, the key performance indicators are not visibly higher than those of the past 2 years and there is a net decrease of posts. In this regard, please inform this Committee of the following: the specific reasons for the relatively significant increase in the estimate, and whether the increase level of the estimate is commensurate with the performance indicators? Is there a need to fill all the vacancies under the current economic environment?

Asked by: Hon YIM Kong (LegCo internal reference no.: 9)

Reply:

The estimated provision for 2024-25 under Programme (3) "Intellectual Property Rights and Consumer Protection" of the Customs and Excise Department (C&ED) has increased as compared with the revised estimate for 2023-24. This is mainly due to the salary increments for staff and filling of vacancies.

The epidemic has affected C&ED's original plans for filling new vacancies. Therefore, the revised estimate for 2023-24 is 9.8% lower than the original estimate. C&ED, taking into account the expenditure required in the original plans for filling new vacancies, has prepared the estimate for 2024-25, which is 14.5% higher than the revised estimate for 2023-24, but is only 3.2% higher than the original estimated provision for 2023-24 (the increase in estimate is mainly due to the increase in expenditure on personal emoluments arising from the 2023-24 Civil Service Pay Adjustment). C&ED will continue to review the need for filling the relevant vacancies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)002

(Question Serial No. 0068)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under the Programme that the Customs and Excise Department (C&ED) is responsible for the collection and protection of duties derived from dutiable commodities stipulated in the Dutiable Commodities Ordinance. It administers a licensing and permit system to control the manufacture, import, export, storage and movement of dutiable commodities. In this connection, will the Government inform this Committee of the following:

- a. What measures will the Government take to combat the current rampant sale of illicit cigarettes on the Internet?
- b. According to the information, there is an upward trend in the number of persons prosecuted for offences relating to illicit cigarettes. What measures will the Government take to address the situation?
- c. Please provide a breakdown, by year, of the number of persons aged 21 or below who were prosecuted for offences relating to illicit cigarettes in the past 5 years. How will C&ED strengthen publicity and education?

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 5)

Reply:

- a. The Customs and Excise Department (C&ED) has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow up, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any smoking product advertisement in any form (including flyers or online advertisements).

TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- b. Following the full resumption of normal travel in early 2023 and the increase in tobacco duty announced in the Budget, C&ED has stepped up enforcement against illicit cigarette activities at various entry and exit points and across the territory, including the smuggling of illicit cigarettes by offenders using the mode of “ants moving home” after the resumption of normal travel, thereby leading to an increase in the number of persons prosecuted in the year.

C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points and in the market, and has strengthened intelligence exchange with Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to combat illicit cigarette activities.

- c. The number of persons aged 21 or below prosecuted by C&ED for offences relating to duty-not-paid cigarettes in the past 5 years are tabulated below:

Year	2019	2020	2021	2022	2023
Number of persons	39	20	50	38	49

In order to further promote the message against illicit cigarettes across different levels of the community, C&ED will continue to collaborate with government agencies and relevant stakeholders, and enhance publicity by holding talks for schools and youth groups, displaying posters and banners, etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)003

(Question Serial No. 0144)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

This year's Budget announced an increase in tobacco duty for the second consecutive year. In response to the potential impact of the increase in tobacco duty on illicit cigarette activities, the Customs and Excise Department (C&ED) indicated last year that it would mount territory-wide large-scale special operations against illicit cigarettes, send officers to other regions for field visits and arrange experience sharing with Mainland and overseas law enforcement agencies, with a view to studying similar policies and the effectiveness of their implementation and stepping up enforcement against illicit cigarette activities at retail level. In this connection, will the Government inform this Committee of:

- (1) the quantities of duty-not-paid cigarettes seized locally by C&ED in each of the past 5 years;
- (2) whether any assessment has been conducted as to why the year 2023 saw an increase of 50% in the number of cases involving seizure of illicit cigarettes but a decrease of 30% in the number of cigarette sticks seized, as compared with 2022; if yes, what are the assessment results?
- (3) whether any assessment has been conducted as to why the number of persons compounded for offences relating to illicit cigarettes surged from 2 107 in 2022 to 9 837 in 2023; if yes, what are the assessment results?
- (4) the figures by rank on the establishment, strength, expenditure on emoluments and total expenditure of C&ED incurred by officers dedicated to combating illicit cigarette activities in the past 3 years and in 2024-25;
- (5) the number of large-scale special operations against illicit cigarettes mounted by C&ED last year and their effectiveness; and the number of large-scale special operations against illicit cigarettes to be mounted in the coming year; and
- (6) the number and details of field visits to other regions arranged by C&ED last year; and the number of field visits to other regions to be arranged in the coming year?

Asked by: Hon LAI Tung-kwok (LegCo internal reference no.: 31)

Reply:

- (1) The quantities of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593

- (2) Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by C&ED has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant increase in the quantity of illicit cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in spite of an increase in the number of cases involving illicit cigarettes in 2023.
- (3) During the epidemic, passenger clearance services at most control points were suspended, and the number of arrivals and departures via land and sea control points reduced, resulting in a corresponding decrease in the number of persons “paying penalty instead of prosecution for bringing in cigarettes exceeding the duty-free concessions” in 2022. As normal travel between Hong Kong and the Mainland has fully resumed in early 2023, the numbers of cross-boundary passengers and vehicles successively rebounded, resulting in a surge in the number of relevant cases.
- (4) In the past 3 financial years, C&ED deployed 61 officers each year to specifically combat illicit cigarette activities. The expenditures on emolument involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2021-22	28.27
2022-23	28.98
2023-24	30.23

In 2024-25, C&ED will maintain an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points will also be involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

- (5) In 2023, C&ED mounted 4 large-scale special operations against illicit cigarettes, in which C&ED detected a total of 258 relevant cases, seized approximately 74 million sticks of illicit cigarettes with a total market value of approximately \$273 million and

dutiable value of approximately \$185 million, and arrested 220 persons. C&ED mounted another round of large-scale special operation against illicit cigarettes in mid-February 2024 and the operation is still underway. C&ED will continue to mount targeted anti-illicit-cigarette operations as appropriate in a timely manner.

- (6) C&ED has been maintaining close liaison and exchange with Mainland and overseas law enforcement agencies on cross-boundary illicit cigarette smuggling and related control issues. Last year, C&ED visited the Mainland Customs and relevant intelligence units as well as the Singapore Customs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)004

(Question Serial No. 0379)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding anti-illicit-cigarette enforcement, will the Government inform this Committee of the following:

1. the quantities and total market values of illicit cigarettes seized by the Customs and Excise Department (C&ED) by month in 2023 and from January to February in 2024;
2. the manpower and expenditure involved in combating illicit cigarette activities in the past year;
3. Given that there was a significant decrease in the quantity of illicit cigarettes seized in the anti-illicit-cigarette enforcement actions last year as compared with the previous figures (a decrease of 23% from around 690 million sticks in the year before last year to around 530 million sticks last year), can the current strategy in combating illicit cigarettes be regarded as effective?
4. Further to the above, if the strategy is effective, how will C&ED further enhance the relevant strategy in the coming year, so as to step up efforts in combating illicit cigarette activities following the increase in tobacco duty, and what are the respective manpower and expenditure involved?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 14)

Reply:

1. The quantities and market values of illicit cigarettes seized by the Customs and Excise Department (C&ED) during anti-illicit-cigarette enforcement operations in 2023 and from January to February in 2024 by month are tabulated as follows:

2023	Quantity (million sticks)	Market value (\$ million)
January	74.24	204.25
February	45.71	127.40
March	52	192.39
April	37.92	140.28
May	71.74	265.42
June	21.19	78.40
July	28.69	106.14
August	35.17	130.10
September	63.08	233.39
October	24.90	92.14
November	50.94	188.49
December	24.96	92.36
Total	530.53	1,850.77

2024	Quantity (million sticks)	Market value (\$ million)
January	16.34	60.45
February	20.83	79.42
Total	37.17	139.87

Note: Figures may not add up to the total due to rounding.

2. In 2023-24, C&ED had an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points were also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.
3. Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by C&ED has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant

increase in the quantity of duty-not-paid cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in 2023.

4. C&ED will continue to strengthen its risk assessment and intelligence analysis, and combat illicit cigarette activities under a holistic enforcement strategy i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. In view of the increase in tobacco duty announced in the Budget, C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland, and overseas law enforcement agencies. In 2024-25, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. C&ED will flexibly deploy its internal resources as appropriate to mount targeted anti-illicit-cigarette operations in a timely manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)005

(Question Serial No. 0627)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The quantities of illicit cigarettes seized by the Customs and Excise Department (C&ED) have been increasing in recent years. There is a need for the Government to combat illicit cigarettes to protect revenue.

- i. Please provide the quantities of illicit cigarettes seized by C&ED in 2023 by month and origin, and the total market values of the seizures.
- ii. Did the Government look into the reasons for the surge in illicit cigarettes? If yes, please provide the relevant information. If not, please explain the reasons.
- iii. Will the Government consider making reference to the successful practices of other countries and adopting feasible measures which are relatively easier to implement, such as adding a label on each stick of duty-paid cigarette for identification?
- iv. Does the Government have any plan to allocate additional resources to step up efforts in combating illicit cigarette smuggling and distribution activities? Is there any plan to increase the staff establishment and the estimated operational expenses? If yes, please provide the specific details and plans.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 33)

Reply:

- i. The quantities and market values of illicit cigarettes involving duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in 2023 by month are tabulated as follows:

	Quantity (million sticks)	Market value (\$ million)
January	98.96	272.22
February	72.2	216
March	51.37	189.97
April	76.09	281.46
May	76.29	282.23
June	16.95	62.65
July	23.32	86.23
August	34.03	125.84
September	48.82	180.58
October	20.74	76.62
November	50.68	187.44
December	23.71	87.65
Total	593	2,049

Note: Figures may not add up to the total due to rounding.

C&ED does not maintain any breakdown of the illicit cigarettes seized by origin.

- ii. Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by C&ED has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant increase in the quantity of illicit cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in 2023.
- iii. C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.
- iv. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with established procedures when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)006

(Question Serial No. 1686)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Indicators, the quantity of illicit cigarettes seized decreased from 690 million sticks reported in 2022 to only 530 million sticks in 2023. On the contrary, the number of persons prosecuted for offences relating to illicit cigarettes increased from 698 in 2022 to 1 060 in 2023. In this regard, please inform this Committee of:

- a) the reasons for the increase in the number of persons prosecuted for offences relating to illicit cigarettes in spite of a drop in the quantity of illicit cigarettes seized;
- b) the statistics on illicit cigarettes seized and the number of persons prosecuted in the past 5 years; and
- c) the number of officers in the Department responsible for tracing and investigating illicit cigarettes and the financial provision for the related work.

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 19)

Reply:

- a) Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by the Customs and Excise Department (C&ED) has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant increase in the quantity of illicit cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in spite of an increase in the number of cases involving illicit cigarettes and the number of persons prosecuted in 2023.

- b) The quantities of duty-not-paid cigarettes seized locally and the numbers of persons prosecuted by C&ED in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593
Number of persons prosecuted (Note)	1 862	709	934	698	1 060

Note: Cases with prosecution instituted during the year.

- c) In 2023-24, C&ED had an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points were also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)007****(Question Serial No. 1753)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

It is mentioned in paragraph 193 of the Budget Speech that the Government will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education. In this connection, will the Government inform this Committee of the quantities of illicit cigarettes successfully seized by the Customs and Excise Department in the past 3 years?

Asked by: Hon LAM Shun-chiu, Dennis (LegCo internal reference no.: 32)Reply:

The quantities of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 3 years are tabulated below:

	2021	2022	2023
Quantity of seizure (million sticks)	371	688	593

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)008

(Question Serial No. 1921)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget announced an increase in the duty on cigarettes by 80 cents per stick. There are comments pointing out that this may lead to more rampant sales activities of illicit cigarettes in Hong Kong. In this connection, will the Government inform this Committee of the following:

1. the quantity of illicit cigarettes seized in each of the past 5 years;
2. the current manpower establishment and operating expenditure involved in combating illicit cigarette activities; and
3. whether additional resources and manpower will be allocated to combat illicit cigarette activities. If yes, what are the details? If not, what are the reasons?

Asked by: Hon LEE Chun-keung (LegCo internal reference no.: 5)

Reply:

1. The quantities of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593

2. In 2023-24, C&ED had an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points were also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

3. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)009****(Question Serial No. 2164)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding the work carried out by the Customs and Excise Department (C&ED) to combat the smuggling of duty-not-paid cigarettes, will the Government inform this Committee of the following:

1. the numbers of cases involving the smuggling of duty-not-paid cigarettes in which reports have been received and items successfully seized by C&ED in each of the past 5 years, as well as the respective quantity and value of the duty-not-paid tobacco products involved in the cases; and
2. the expenditure involved in publicity and education on the work to combat the smuggling of duty-not-paid cigarettes in the coming year?

Asked by: Hon LEUNG Man-kwong (LegCo internal reference no.: 12)Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	2019	2020	2021	2022	2023
Number of cases	17 351	3 111	3 917	3 192	11 658
Quantity seized (million sticks)	54	193	371	688	593
Market value (\$ million)	147	530	1,022	1,896	2,049
Total amount of duty payable (\$ million)	103	368	707	1,311	1,401

2. The manpower and resources involved in publicity and education have been subsumed under the general operating expenditure. C&ED does not maintain a breakdown of the relevant figures.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)010****(Question Serial No. 2467)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): (000) Operational expensesProgramme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding controlled items, will the Government inform this Committee of:

- The Budget of the new financial year further increases tobacco duty. With regard to actions against illicit cigarettes, how many cases involving the smuggling of tobacco products and illegal trade in duty-not-paid tobacco products were detected by C&ED in 2023; what were the quantities of tobacco and the total value involved? ;
- What are the enforcement plans and goals of C&ED on combating illicit cigarettes in the coming year?

Asked by: Hon CHAN Hak-kan (LegCo internal reference no.: 9)Reply:

The relevant figures of illicit tobacco seized by the Customs and Excise Department (C&ED) in 2023 are as follows:

	2023
Number of cases	387
Quantity (kilogrammes)	9 475
Total value (\$ million)	49.75

C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)011

(Question Serial No. 2788)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement, (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of persons compounded for offences relating to illicit cigarettes substantially rose from 2 107 in 2022 to 9 837 in 2023, representing an increase of 3.6 times (7 730 persons). The 2024-25 Budget announced an increase in tobacco duty of \$0.8 per stick of cigarette. In response to the situation, will the Customs and Excise Department (C&ED) step up random checks at various entry and exit points in the new financial year?

Will C&ED adopt new policy measures to combat illicit cigarettes in the new financial year? If yes, what are the details? If not, what are the reasons?

Currently, there are some so-called "cheap whites" in the market, the retail price of which is far lower than legally sold duty-paid cigarettes. Is C&ED aware of such situation? If yes, what measures will C&ED take to combat and outlaw "cheap whites"? If not, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 1)

Reply:

The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various control points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies, and also enhanced detection at boundary control points. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

Apart from proceeding with stringent law enforcement actions, C&ED will continue to step up publicity and public education, which include collaborating with government agencies and relevant stakeholders from time to time, and enhancing publicity by holding talks for schools and youth groups, displaying posters and banners, etc. in order to further promote the message against illicit cigarettes across different levels of the community. Furthermore, C&ED has urged the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants or shops and not to purchase cigarettes of unknown origins or at unusual prices, in order to avoid contravening the law inadvertently. If members of the public have doubts about the cigarette brands available in the market, they should enquire of the brand owner or relevant merchant directly. C&ED will also enhance its promotion and publicity work for newsstands and small-sized retail outlet operators, which include distributing anti-illicit cigarette promotional leaflets to newsstands in various districts across the territory to remind merchants not to sell duty-not-paid cigarettes or cigarettes of unknown origins to avoid contravening the law inadvertently. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)012

(Question Serial No. 2854)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In this financial year, the Customs and Excise Department (C&ED) will continue to take enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling.

1. Does C&ED expect illicit cigarette smuggling activities to go up upon the increase in tobacco duty? If yes, will C&ED strengthen manpower and anti-smuggling operations and what are the estimated expenditures involved? If not, what are the reasons?
2. At present, "cheap whites" are flooding the market. How many sticks of "cheap whites" were seized by C&ED last year? Will C&ED step up enforcement actions against such illegal acts and plug the loopholes in the existing legislation? If yes, what are the details? If not, what are the reasons?
3. Illicit cigarette activities are obviously run by syndicates, providing one-stop services from conveyance, promotion, purchase to delivery, and even coupled with online promotion that offers convenient contact means and coupon rebate. What measures have been taken by C&ED to combat these rampant promotion activities? How effective were they? Will C&ED step up efforts to combat the activities this year? If yes, what are the details? If not, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 30)

Reply:

1. The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette

operations in a timely manner. In 2024-25, C&ED will maintain an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emoluments. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

2. C&ED does not maintain statistics on the quantity of “cheap whites”. C&ED has been closely monitoring the latest development in the market. Whenever retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions regardless of whether “cheap whites” are involved.

Apart from proceeding with stringent law enforcement actions, C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

C&ED will continue to step up publicity and public education, which include collaborating with government agencies and relevant stakeholders from time to time, and enhancing publicity by holding talks for schools and youth groups, displaying posters and banners, etc. in order to further promote the message against illicit cigarettes across different levels of the community. Furthermore, C&ED has urged the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants or shops and not to purchase cigarettes of unknown origins or at unusual prices, in order to avoid contravening the law inadvertently. If members of the public have doubts about the cigarette brands available in the market, they should enquire of the brand owner or relevant merchant directly. C&ED will also enhance its promotion and publicity work for newsstands and small-sized retail outlet operators, which include distributing anti-illicit cigarette promotional leaflets to newsstands in various districts across the territory to remind merchants not to sell duty-not-paid cigarettes or cigarettes of unknown origins to avoid contravening the law inadvertently. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions.

3. C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)013

(Question Serial No. 3215)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in Matters Requiring Special Attention in 2024-25 under Programme (4) that the Customs and Excise Department (C&ED) will continue to strengthen enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling. In this connection, will the Government inform this Committee of the following:

- 1) the quantities of illicit cigarettes seized in local illegal activities in each of the past 3 years (2021-22 to 2023-24), with a breakdown by smuggling channel;
- 2) the numbers of cases of illicit cigarette activities detected by C&ED, the numbers of persons arrested and the age distribution of the arrested persons in each of the past 3 years (2021-22 to 2023-24);
- 3) the estimate and staff establishment of C&ED for combating illicit cigarette activities in the past 3 years (2021-22 to 2023-24); and
- 4) whether additional manpower and estimated expenditure will be allocated to combat illicit cigarette activities in 2024-25?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 41)

Reply:

- 1) The quantities of duty-not-paid illicit cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 3 years, with a breakdown by smuggling channel, are tabulated as follows:

	Quantity of seizure (million sticks)		
	2021	2022	2023
Inbound smuggling cases	190	590	493
Storage, distribution and peddling cases	180	98	98
Cases of incoming persons bringing in excessive duty-free cigarettes and dealt with by compounding	0.6	0.4	1.7
Total	371	688	593

Note: Figures may not add up to the total due to rounding.

- 2) The relevant information on duty-not-paid cigarettes seized locally by C&ED in the past 3 years is as follows:

	2021	2022	2023
Number of cases	3 917	3 192	11 658
Number of persons arrested	3 536	2 808	10 992

The age distribution of the aforesaid arrested persons is as follows:

Age	2021	2022	2023
Aged under 21	59	66	165
Aged 21 and above	3 477	2 742	10 827
Total	3 536	2 808	10 992

- 3) In the past 3 financial years, C&ED deployed 61 officers each year dedicated for the combating of illicit cigarette activities. The expenditures on emolument involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2021-22	28.27
2022-23	28.98
2023-24	30.23

Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

- 4) C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)071

(Question Serial No. 3520)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to combating the sale of duty-not-paid cigarettes (illicit cigarettes), will the Government please inform this Committee of the following:

1. List out the respective numbers of illicit cigarette cases detected and the quantities of illicit cigarettes seized by the Customs and Excise Department (C&ED), and the major origins involved in the past 5 financial years;
2. List out the numbers of persons arrested for selling or purchasing illicit cigarettes, as well as the respective numbers of persons prosecuted and convicted in the past 5 financial years;
3. List out the manpower and estimated expenditures involved in combating illicit cigarettes by C&ED in the past 5 financial years and the coming financial year;
4. Will C&ED step up anti-smuggling work in view of the increase in tobacco duty by the Government? Will there be an increase in staff establishment and estimated expenditure for combating smuggling activities? What effective measures will be adopted to prevent the sale of illicit cigarettes in the market?

Asked by: Hon CHAN Hoi-yan (LegCo internal reference no.: 39)

Reply:

1&2. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	2019	2020	2021	2022	2023
Number of cases	17 351	3 111	3 917	3 192	11 658
Quantity of seizure (million sticks)	54	193	371	688	593
Number of persons arrested (Note 1)	17 331	2 496	3 536	2 808	10 992
Number of persons prosecuted (Note 2)	1 862	709	934	698	1 060
Number of persons convicted (Note 2)	1 794	723	910	699	1 049

Note 1: Including inbound smuggling cases, storage, distribution and peddling cases, as well as cases of incoming persons bringing in excessive duty-free cigarettes and dealt with by compounding.

Note 2: Cases prosecuted/convicted during the year.

C&ED does not maintain any breakdown of the illicit cigarettes seized by origin.

3. In the past 5 financial years, C&ED deployed 61 officers each year dedicated for the combating of illicit cigarette activities. The expenditures on emoluments involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2019-20	26.27
2020-21	26.27
2021-22	28.27
2022-23	28.98
2023-24	30.23

In 2024-25, C&ED will maintain an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emoluments. Furthermore, front-line Customs officers deployed at various entry and exit points will also be involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

4. C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner, and apply for additional manpower and resources in accordance with the established procedures when necessary.

To address the issue that lawbreakers currently sell illicit cigarettes through telephone ordering, C&ED has set up a dedicated team to step up patrols at public housing estates in various districts to combat illicit cigarette activities. Furthermore, C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)072

(Question Serial No. 3578)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “the number of persons compounded for offences relating to illicit cigarettes”, will the Government inform this Committee of the following:

1. The number concerned rose from 2 107 persons in 2022 to 9 837 persons in 2023. What are the reasons for that;
2. Does the Government plan to tighten the criteria for the compounding of offences in view of the increase in the number? If yes, what are the details? If not, what are the reasons?
3. Is there any assessment conducted by the Government as to whether the number will continue to rise as a result of an increase in the tobacco duty as announced in the Budget, and what measures will be taken by the Government in response to the situation?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 56)

Reply:

1. During the COVID-19 epidemic, passenger clearance services at most control points were suspended, and the number of arrivals and departures via land and sea control points reduced, resulting in a corresponding decrease in the number of persons “compounded for offences relating to illicit cigarettes” in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, the numbers of cross-boundary passengers and vehicles successively rebounded, resulting in a surge in the number of cases concerned.
2. Under the Dutiable Commodities Ordinance (Cap. 109) (the Ordinance), arrival passengers who fail to declare to an officer of the Customs and Excise Department (C&ED) the quantity of dutiable goods in their possession which exceeds the exempted quantity commit an offence and are liable to criminal prosecution. C&ED may also impose compound penalty on these passengers under the Ordinance. When determining whether the case should be handled by means of compound penalty, Customs officers

will assess the facts of each individual cases, and consider factors such as the amount of duty involved and whether the person concerned has violated the Ordinance before.

3. Apart from closely monitoring illicit cigarette activities at various control points, C&ED has strengthened intelligence exchange with the Mainland law enforcement agencies and stepped up customs checks on arrival passengers. Meanwhile, C&ED will flexibly deploy its internal resources to effectively combat the inflow of illicit cigarettes into Hong Kong via passenger channels.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)073

(Question Serial No. 3579)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding anti-illicit-cigarette enforcement, will the Government inform this Committee of the following:

1. The number of persons prosecuted for offences related to illicit cigarettes in 2023 was higher than that in 2022, but a smaller quantity of cigarettes was seized. In this connection, has the Government assessed the changes in the modus operandi of illicit cigarette syndicates and stepped up countermeasures? If yes, what are the details? If not, what are the reasons?
2. It is learnt that many illicit cigarettes are sold through telephone order or online peddling. In this connection, what was the number of persons arrested last year for involving in such mode of sale? How will the Government deal with such phenomenon?
3. With the immediate increase in tobacco duty announced in the Budget, will the Government consider allocating additional resources to cope with the probable increase in illicit cigarette activities? If yes, what are the details? If not, what are the reasons?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 57)

Reply:

1. In view of the increase in tobacco duty announced in last year's Budget, and the full resumption of normal travel between the Mainland and Hong Kong at the beginning of last year, the Customs and Excise Department (C&ED) continued to mount special anti-illicit cigarette operations during the year. Apart from stepping up enforcement at the import level, C&ED also conducted operations against illicit cigarette peddling across the territory. The number of persons prosecuted for offences relating to illicit cigarettes last year was therefore higher than that in 2022.

As the epidemic came to an end last year, the cross-boundary transport and logistics supply chain has resumed normalcy. Although smuggling of cigarettes by sea remained the predominant mode employed by illicit cigarette syndicates, on average, a smaller quantity of cigarettes was smuggled each time. Illicit cigarette syndicates have resorted

to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, resulting in a decrease in the overall quantity of illicit cigarettes seized last year.

2. C&ED does not maintain any breakdown by mode of selling or ordering illicit cigarettes by the arrested persons.

To address the issue that lawbreakers currently sell illicit cigarettes through telephone ordering, C&ED has set up a dedicated team to step up patrols at public housing estates in various districts to combat illicit cigarette activities. Furthermore, C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

In addition, in order to further promote the message against illicit cigarettes across different levels of the community, C&ED will continue to collaborate with government agencies and relevant stakeholders, and enhance publicity by holding talks for schools and youth groups, displaying posters and banners, etc.

3. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)074

(Question Serial No. 3795)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has been committed to implementing promotional initiatives in support of tobacco control. It is mentioned in the Speech that the Government will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education. What measures that are more proactive and effective will the Government take this year to combat the increasingly rampant illicit cigarette activities (including cheap cigarettes with duty not paid (commonly known as “rat cigarettes” and “cheap whites”))?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 52)

Reply:

The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various control points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

Apart from proceeding with stringent law enforcement actions, C&ED will continue to step up publicity and public education, which include collaborating with government agencies and relevant stakeholders from time to time, and enhancing publicity by holding talks for schools and youth groups, displaying posters and banners, etc. in order to further promote the message against illicit cigarettes across different levels of the community. Furthermore, C&ED has urged the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants

or shops and not to purchase cigarettes of unknown origins or at unusual prices, in order to avoid contravening the law inadvertently. If members of the public have doubts about the cigarette brands available in the market, they should enquire of the brand owner or relevant merchant directly. C&ED will also enhance its promotion and publicity work for newsstands and small-sized retail outlet operators, which include distributing anti-illicit cigarette promotional leaflets to newsstands in various districts across the territory to remind merchants not to sell duty-not-paid cigarettes or cigarettes of unknown origins to avoid contravening the law inadvertently. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)075****(Question Serial No. 3797)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

1. Will the Government inform this Committee of, in each of the past 5 years, the number of illicit cigarette cases detected; the quantity of the illicit cigarettes seized, their market values and dutiable values; and whether statistics have been compiled on the share of sales of “cheap whites” in the cigarette market in Hong Kong? If yes, what are the details? If not, what are the reasons; and

2. Some tobacconists reflect that the sale of illicit cigarettes is prevalent on online platforms. The rampant activities cannot be eradicated despite tip-offs, thus jeopardising the interests of proper licensees in the trade. What measures will the Government take to combat the illicit cigarette market and strengthen its efforts in plugging the loopholes in illegal sale of illicit cigarettes?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 6)Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	2019	2020	2021	2022	2023
Number of cases	17 351	3 111	3 917	3 192	11 658
Quantity seized (million sticks)	54	193	371	688	593
Market value (\$ million)	147	530	1,022	1,896	2,049
Total amount of duty payable (\$ million)	103	368	707	1,311	1,401

C&ED does not maintain statistics on the sales of “cheap whites” in the market.

2. C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)076

(Question Serial No. 3839)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Was there any form of co-ordination between the Government and the authorities of neighbouring regions in the past 3 years, including discussions on ways to enhance co-operation in combating illicit tobacco trade? If yes, what are the details? If not, what are the reasons?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 36)

Reply:

The Customs and Excise Department (C&ED) has been maintaining close liaison and exchange with Mainland and overseas law enforcement agencies on cross-boundary illicit cigarette smuggling and related control issues. In the past 3 years, C&ED held meetings with the Vietnam Customs, the Singapore Customs, the Korea Customs, etc., and visited the Mainland Customs and relevant intelligence units, with a view to strengthening co-operation.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)077****(Question Serial No. 3874)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

It is mentioned in the Budget Speech that the Government now proposes to increase the duty on cigarettes by 80 cents per stick with immediate effect. Duties on other tobacco products will be increased by the same proportion. It is expected that the proportion of tobacco duty in the retail price of cigarettes will rise to about 70 per cent. In this connection, will the Government inform this Committee of the following:

1. the number of operations mounted by the Government to combat illicit cigarettes, the manpower and expenditures involved, and the quantity of illicit cigarettes seized in each of the past 5 years;
2. Given that the increase in tobacco duty may lead to more rampant illicit cigarette activities, will additional resources and manpower be allocated to step up enforcement against illicit cigarette activities. If yes, what are the details? If not, what are the reasons?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 22)Reply:

1. In the past 5 financial years, the Customs and Excise Department (C&ED) deployed 61 officers each year dedicated for the combating of illicit cigarette activities. The expenditures on emolument involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2019-20	26.27
2020-21	26.27
2021-22	28.27
2022-23	28.98
2023-24	30.23

Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

The quantities of duty-not-paid cigarettes seized locally by C&ED in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593

C&ED does not maintain statistics on the number of operations conducted each year.

2. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)078

(Question Serial No. 3875)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 193 of the Budget Speech by the Financial Secretary that “Increasing the tobacco duty is recognised internationally as the most effective means of reducing tobacco use. The Government now proposes to increase the duty on cigarettes by 80 cents per stick, with immediate effect. Duties on other tobacco products will be increased by the same proportion. The rate of increase is similar to that of last year.” Since the increase in the tobacco duty by 60 cents per stick of cigarettes in February last year, there have been many media reports on the emergence of online and offline promotions of suspected duty-not-paid cigarettes, such as promotional leaflets commonly known as “tobacco flyers” and online promotions. Please list out the figures to explain whether, in the past year, initiative has been taken in getting to know the share of suspected duty-not-paid cigarettes in the overall cigarette market. If yes, what are the details? If not, what are the reasons?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 33)

Reply:

The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner. In 2023, the total quantity of duty-not-paid cigarettes seized by C&ED in local illegal activities and export or transshipment reached 652 million sticks, of which 593 million sticks of illicit cigarettes involved in local illegal activities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)079

(Question Serial No. 3891)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is proposed in the Budget that the duty on cigarettes be increased by 80 cents per stick, with immediate effect, and the duties on other tobacco products also be increased by the same proportion. The rate of increase is similar to that of last year. Besides, the Government will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education. In this connection:

(1) How many Government officers are dedicated to combating illicit cigarette activities at present? Will additional manpower be deployed in the future and what new measures will be taken to combat illicit cigarette activities? What are the expenditure and manpower involved for each of these measures?

(2) Has the Government explored the introduction of innovative technologies to further combat illicit cigarette activities? If yes, what are the results?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 33)

Reply:

(1) The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. In 2023-24, C&ED deployed 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points will also be involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work and mount targeted anti-illicit-cigarette operations in a timely

manner as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- (2) C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)080****(Question Serial No. 3892)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The increase in tobacco duty was proposed in both the 2023-24 and 2024-25 Budgets. Will the Government inform this Committee of the quantity of duty-paid tobacco products sold in 2023-24?

Asked by: Hon LEUNG Man-kwong (LegCo internal reference no.: 10)Reply:

The quantities of duty-paid tobacco products in Hong Kong in 2023 and from January to February in 2024 are as follows:

	2023	2024 (from January to February)
Cigarettes (million sticks)	2 972	1 177
Cigars (kilograms)	68 984	16 257
Chinese prepared tobacco (kilograms)	80	1
Other manufactured tobacco (kilograms)	16 155	5 750

- End -

CONTROLLING OFFICER'S REPLY**S-FSTB(Tsy)01****(Question Serial No. SV015)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

What are the reasons for the inconsistencies between the numbers of youths prosecuted by the Customs and Excise Department (C&ED) for offences relating to duty-not-paid cigarettes seized locally in the past 3 years (i.e. 2021, 2022 and 2023) as set out respectively in the written replies to Serial Nos. FSTB(Tsy)002 and 013?

Asked by: Hon CHAN Siu-hungReply:

The numbers of arrested persons aged under 21 for offences relating to duty-not-paid cigarettes seized locally in respective years as mentioned in FSTB(Tsy)013, with a breakdown by legal actions dealing with the cases, are tabulated as follows:

	2021	2022	2023
Number of arrested persons	59	66	165
(i) who were dealt with by prosecution and litigation (Note 1)	30	38	42
(ii) who were dealt with by compounding (Note 2)	29	28	123

Note 1: Incoming passengers who fail to declare or make a false or incomplete declaration to a Customs officer on the quantity of dutiable goods in their possession which are in excess of the duty-free concessions are liable to prosecution.

Note 2: C&ED may impose penalty on non-compliant passengers (e.g. first offenders) for offences compoundable under the Dutiable Commodities Ordinance (Cap. 109), Laws of Hong Kong, i.e. dealing with the cases by compounding.

The numbers of persons prosecuted as set out in FSTB(Tsy)002 are different from those in item (i) in the above table because the numbers of persons prosecuted as set out in FSTB(Tsy)002 include the numbers of persons arrested prior to the respective years and include persons aged 21.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)169

(Question Serial No. 1533)

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) Not Specified

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Local money changers are licensed and supervised by the Customs and Excise Department (C&ED), yet there has been a rising number of cases involving questionable remittances made by money changers that caused loss to customers. As the estimate for 2024-25 of C&ED increases to more than \$6 billion, please inform this Committee of the following:

1. With the increased estimate, what measures will be taken to strengthen the supervision of local money changers so as to ensure the safety of customers' remittances?
2. As many members of the public are not aware that C&ED is responsible for supervising money changers, they have nowhere to turn to for assistance. Will the Government step up its publicity efforts in this regard?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 25)

Reply:

Under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO), anyone who intends to operate remittance or money changing services must obtain a licence from the Customs and Excise Department (C&ED). Apart from considering whether an applicant (including its partners, directors and ultimate owners) is a fit and proper person to operate a money service, C&ED also provides guidelines to ensure that licensees comply with a series of requirements, including establishing and maintaining effective internal monitoring policies to mitigate money laundering and terrorist financing risks, operating a money service at suitable premises, properly keeping accounts, so as to ensure that licensees properly operate their business. If a licensee is found to have contravened the AMLO or relevant guidelines, C&ED will initiate criminal prosecution or impose administrative sanctions against the licensee, including publicly reprimanding the licensee, ordering the licensee to implement remedial measures or pay a fine and/or impose additional licensing conditions.

C&ED attaches great importance to the compliance situation of remittance service. C&ED ensures that licensed money service operators (MSOs) comply with customer due diligence, record keeping and other licensing requirements through compliance inspections and various regulatory measures. If an MSO is found to have contravened the AMLO, C&ED will take immediate enforcement actions. Apart from criminal sanctions, offenders may be subject to disciplinary actions or administrative sanctions (e.g. licence suspension or revocation). For MSOs with high operational risks, C&ED will impose specific conditions on their licences and require verification of source of wealth and funds of high-risk customers in order to protect consumer interests.

In fact, C&ED has been paying close attention to losses suffered by members of the public in remittance through MSOs. For example, in 2023, C&ED received requests for assistance from a total of 161 persons concerning their bank accounts in the Mainland being frozen after using MSOs' remittance services, involving an amount of about RMB10.7 million. With C&ED's intervention, 94 of them have settled their cases through bilateral negotiation, involving an amount of about RMB6.9 million. C&ED will, within the remit of the relevant legislation, explore with Mainland and overseas authorities as to enhancing collaboration to assist the affected members of the public.

C&ED makes publicity of its regulation of MSOs through various channels such as press releases, social media, educational seminars customised for different groups (e.g. non-local tertiary students, foreign employees, etc.), and distribution of publicity materials. C&ED also reminds members of the public to refrain from using the services of unlicensed MSOs (including those on the Internet or social media platforms) and report suspected non-compliance cases through C&ED's telephone hotline and dedicated email address. C&ED upon receipt of the reports will actively follow up on the cases and provide assistance to the affected persons.

- End -