

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1309/18-19  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 25 June 2019, at 4:30 pm**  
**in Conference Room 2 of the Legislative Council Complex**

- Members present** : Hon YIU Si-wing, BBS (Chairman)  
Hon Alvin YEUNG (Deputy Chairman)  
Hon WONG Ting-kwong, GBS, JP  
Hon Steven HO Chun-yin, BBS  
Hon WU Chi-wai, MH  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Martin LIAO Cheung-kong, SBS, JP  
Dr Hon CHIANG Lai-wan, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon SHIU Ka-fai  
Hon CHAN Chun-ying, JP  
Hon LAU Kwok-fan, MH
- Members absent** : Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon MA Fung-kwok, SBS, JP  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP

**Public officers attending** : Agenda item IV

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP  
Under Secretary for Commerce and Economic  
Development

Mr Gary POON, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)2

Customs and Excise Department

Mr CHAN Tsz-tat  
Assistant Commissioner (Boundary and Ports)

Ms Sandra TAM  
Head of Land Boundary Command

Agenda Item V

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP  
Under Secretary for Commerce and Economic  
Development

Mr Gary POON, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)2

Customs and Excise Department

Mr James CHUI  
Senior Staff Officer  
(Supply Chain Security Management)

**Clerk in attendance** : Mr Desmond LAM  
Chief Council Secretary (1)3

**Staff in attendance** : Mr Joey LO  
Senior Council Secretary (1)8

Mr Terence LAM  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

Miss Zoe YIP  
Clerical Assistant (1)3

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)1166/18-19 -- Minutes of meeting held on 16 April 2019)

The minutes of the meeting held on 16 April 2019 were confirmed.

**II. Information paper issued since last meeting**

(LC Paper No. CB(1)1208/18-19(01) -- Information paper on the financial position of the Applied Research Fund for the period from 1 December 2018 to 28 February 2019)

2. Members noted the above paper issued since the last meeting.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)1165/18-19(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1165/18-19(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 16 July 2019 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Hong Kong's participation in the Belt and Road Initiative; and
- (b) Latest development of the Hong Kong Science Park and industrial estates.

*(Post-meeting note: Members were informed on 5 July 2019 under LC paper No. CB(1)1244/18-19 that at the instruction of the Chairman, the*

above July Panel meeting scheduled for 16 July 2019 was cancelled due to safety reasons in the Legislative Council Complex.)

**IV. Single E-Lock Scheme and the extension of its applicability in the Guangdong-Hong Kong-Macao Greater Bay Area**

(LC Paper No. CB(1)1165/18-19(03) -- Administration's paper on "Single E-Lock Scheme for inter-modal transshipment cargoes and the expansion of clearance points in the Greater Bay Area"

LC Paper No. CB(1)1165/18-19(04) -- Paper on the Single E-lock Scheme prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") and Assistant Commissioner (Boundary and Ports), Customs and Excise Department ("AC(BP))" briefed the Panel on the key features of the Single E-Lock Scheme ("SELS") and its latest development. Members noted that following the setting up of a new clearance point in Zhongshan in May 2019, the number of clearance points under SELS in Guangdong had been increased to 52, including 43 clearance points covering all the nine Mainland municipalities within the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and nine clearance points in other parts of Guangdong. Details were set out in the Administration's paper (LC Paper No. CB(1)1165/18-19(03)).

Discussion

*Modus operandi of Single E-Lock Scheme*

5. Noting that SELS, with the application of the electronic lock ("e-lock") and the global positioning system ("GPS") technology, could provide assurance that the goods were not tampered with in the transportation process, the Chairman asked whether the Customs and Excise Department ("C&ED") and the Mainland Customs would, comparing to transshipment cargoes conveyed by non-SELS participants, accord a lower random checking rate on cargoes handled under SELS which had been inspected by the customs of the other side prior to importation.

6. AC(BP) replied that under the prevailing customs clearance practice, C&ED adopted a risk-based approach in selecting cargo consignment for examination, and the same applied to transshipment cargoes conveyed by SELS. Similarly, the Mainland Customs would inspect the intermodal transshipment cargoes on a need basis. SELS could however help streamline the clearance process and expedite the flow of transshipment cargoes between Hong Kong and Guangdong by obviating the need for repeated inspections on the same cargo by the two Customs authorities. Transshipment cargoes conveyed under SELS, if selected for inspection in Hong Kong, would normally be inspected either at the point of entry or exit.

7. Mr CHAN Chun-ying asked whether C&ED had revealed any irregularities or encountered any incidents since the implementation of SELS in 2012 and if so, he sought further information regarding the number and the major types of irregularities or incidents.

8. USCED said that SELS had been operating smoothly and did not encounter any significant technical issues or irregularities since its launch on a pilot base in 2012. On the part of the SELS participants, they generally complied with the user conditions under the scheme, and indeed no breach had been found in the past six months. In case of any breach of such conditions, C&ED might issue warning letters to the concerned SELS participants or even deregister them from the scheme, but no participants had been deregistered so far. C&ED would continue to closely monitor the operation of SELS and regularly remind the participants of the conditions and coverage of SELS. AC(BP) added that so far all the SELS participating trucks had followed the designated routes during the journey within the Hong Kong territory and thus there was no need for C&ED to re-inspect the concerned cargoes.

### *Statistics*

9. The Chairman and Mr WONG Ting-kwong welcomed the implementation of SELS which enhanced customs clearance efficiency and facilitated the growth of the logistics and courier services industries in the recent years. Among the 6.2 million cargo shipments between Hong Kong and the Mainland which had been handled under SELS between 2012 and May 2019, the Chairman sought details of the ratio of northbound intermodal transshipment cargoes to southbound intermodal transshipment cargoes, and the ratio between air-land transshipment cargoes and sea-land transshipment cargoes. Moreover, Mr WONG and the Chairman respectively enquired how many intermodal transshipment cargoes between Hong Kong and Guangdong as a percentage of the total were handled under SELS in 2018 and the year-on-year growth rate of the number of cargo shipments handled under SELS since 2012.

10. USCED advised that, in 2018, southbound intermodal transshipment cargoes accounted for over 90% of the cargo shipments handled under SELS, with an overwhelming majority being air-land transshipment cargoes. SELS was extended to sea-land transshipment cargoes only in June 2018, and it was hoped that more sea-land transshipment cargoes would be handled under SELS in the future.

11. Head of Land Boundary Command, C&ED added that, upon registration with the two Customs authorities and installation of accredited e-lock cum GPS equipment in their vehicles, all shippers/carriers might enroll SELS. As participation in SELS was voluntary, eligible shippers/carriers might, according to their own situation, decide whether to join the scheme. It was therefore difficult to estimate the total number of local shippers/carriers that were eligible for SELS and thus the participation rate of SELS. The Administration would nevertheless actively promote SELS to the logistics industry and encourage more eligible shippers/carriers to join the scheme.

#### *Promotion of the Single E-lock Scheme*

12. Noting that only eight major logistics and express courier service operators in Hong Kong had joined SELS, Mr WONG Ting-kwong urged the Administration to step up its effort in promoting SELS to operators of a smaller scale and even the individual owner-drivers in the logistics industry. He further suggested the Administration to help operators overcome any technical problems which might have hindered their participation in SELS so that more industry players could enjoy the benefits brought by the scheme. Mr WONG also sought elaboration on the costs for the local shippers/carriers to participate in SELS.

13. USCED said that SELS had been well received by the logistics industry. C&ED would continue to encourage the logistics trade to take up SELS by engaging the logistics industry and the representatives of trade associations in the relevant customer liaison group. Moreover, C&ED had organized a seminar on trade facilitation measures in December 2018 and joined hands with the Mainland Customs to promote SELS in Zhuhai and Zhaoqing earlier this year. AC(BP) added that C&ED did not impose any charge for participating in the scheme. However, SELS participants had to pay the supplier of the e-lock and GPS equipment a monthly service charge for the use of such equipment.

#### *Expansion in the network of clearance points under the Single E-lock Scheme*

14. While noting that the Administration would seek to expand the network of clearance points under SELS in Guangdong, the Chairman asked whether the Administration would consider further expanding such network to cover clearance

points in provinces beyond Guangdong, including Fujian, Jiangxi and Hunan provinces so as to reinforce Hong Kong's status as the regional logistics hub.

15. USCED responded that the Administration would consider the feedbacks and the needs of the industry when seeking extension of the clearance points under SELS. Deputy Secretary for Commerce and Economic Development (Commerce and Industry)2 ("DS(C&I)2") added that SELS targeted at intermodal transshipment cargoes between Hong Kong and Guangdong, including the Mainland municipalities within the Greater Bay Area, which were conveyed across the boundary by trucks. The Administration was open to ideas from users on further extension of the scheme to cover clearance points in provinces beyond Guangdong. The optimum distance for cross boundary trucking and industry needs were some of the factors which would need to be considered.

16. As the number of clearance points in Guangdong had recently been increased to 52, Mr CHAN Chun-ying enquired whether there was an immediate need to provide C&ED with additional manpower and equipment to cope with the workload arising from the increased number of cross-boundary routes for intermodal transshipment cargoes between Hong Kong and Guangdong. He also asked whether the Administration had evaluated the maximum number of clearance points and cross-boundary routes for intermodal transshipment cargoes C&ED could handle under the existing manpower and equipment.

17. USCED advised that SELS was part of the day-to-day operation of C&ED. The Administration would continue to regularly review C&ED's manpower and seek additional resources if the situation warranted. DS(C&I)2 emphasized that SELS was operated under the principle of separate monitoring such that C&ED was only responsible for tracking the movement of SELS participating trucks between the 12 clearance points in Hong Kong and the land boundary control points. The expansion in the network of clearance points under SELS in Guangdong would have limited implications on C&ED's workload as the monitoring work within the Mainland was under the charge of the Mainland Customs.

**V. Latest development of the Hong Kong Authorized Economic Operator Programme operated by the Customs and Excise Department**

(LC Paper No. CB(1)1165/18-19(05) -- Administration's paper on "Latest Development of the Hong Kong Authorized Economic Operator Programme operated by the Customs and Excise Department")

18. At the invitation of the Chairman, USCED briefed the Panel on the Hong Kong Authorized Economic Operator ("AEO") Programme operated by C&ED for enhancing cargo security and trade facilitation to accredited traders, and the efforts in expanding Hong Kong's network of mutual recognition arrangements ("MRAs") to other economies for the Hong Kong AEO Programme. With the aid of a video presentation, Senior Staff Officer (Supply Chain Security Management) ("SS(SCS))" then briefed members on the modus operandi of the Hong Kong AEO Programme. Details were set out in the Administration's paper (LC Paper No. CB(1)1165/18-19(05)).

### Discussion

#### *Expanding Hong Kong's network of mutual recognition arrangements*

19. Mr CHAN Chun-ying enquired whether the Administration had encountered any difficulties in expanding the coverage of Hong Kong's MRA network with a view to complementing the Administration's efforts of encouraging enterprises to capitalize on the new business opportunities arising from the Belt and Road Initiative and the Greater Bay Area development. The Chairman also enquired whether the Administration had set any target for the number of MRAs signed.

20. USCED advised that Hong Kong had entered into MRAs with nine economies, and C&ED was expected to sign MRAs with Mexico, Canada and Israel later this year. Hong Kong was now ranked the fifth worldwide in terms of the number of MRAs signed. The Administration was making on-going progress in further expanding the coverage of Hong Kong's MRA network. In setting its priorities for pursuing MRA discussions, the Administration would take into account Hong Kong's trade volume with the economies concerned, the need for opening up the relevant markets, and the interest of the economies concerned to enter into a MRA with Hong Kong. The Administration did not set any particular target for the number of MRAs signed, but would continue to make its best efforts to enter into MRAs with more economies.

#### *Accreditation of Hong Kong Authorized Economic Operators*

21. Noting that one of the general accreditation criteria adopted for the Hong Kong AEO Programme was financial soundness, Mr CHAN Chun-ying enquired about the proportion of large enterprises vis-à-vis small and medium enterprises ("SMEs") among the accredited Hong Kong AEOs, whether the test of the financial soundness of the enterprises concerned was based on their audited financial reports, and whether the indicators for financial soundness would vary according to the macroeconomic environment.



22. USCED advised that as at May 2019, 54 enterprises had been accredited as Hong Kong AEOs, comprising enterprises of different scales. Large enterprises and SMEs were all welcome to apply for accreditation under the Hong Kong AEO Programme. In considering an AEO application, C&ED would assess whether the enterprise concerned was capable of meeting the accreditation criteria, including track record of customs compliance, internal control of commercial records, and security arrangement for cargoes, conveyance, personnel, premises, business partners and information access. C&ED would visit the operation site of the enterprise to ascertain their capability in complying with the criteria.

23. DS(C&I)2 added that the accreditation standards and criteria for Hong Kong AEOs were drawn up with reference to the requirements under the SAFE Framework of Standards to Secure and Facilitate Global Trade ("SAFE Framework") promulgated by the World Customs Organization in 2005. SS(SCS) supplemented that among the 54 enterprises accredited as Hong Kong AEOs, 11 (around 20%) were SMEs. In assessing the financial soundness of an enterprise, C&ED sought to ensure that the enterprises concerned were financially sound enough to uphold supply chain security despite possible external economic fluctuations. C&ED would make its assessment by examining the enterprise's audited financial reports of the latest past two years.

24. The Chairman enquired about the amount of investment which a SME would be required to make before it could meet the 12 general and security accreditation criteria as listed in Annex A to the Administration's paper (LC Paper No. CB(1)1165/18-19(05)). The Chairman and Mr Martin LIAO further enquired whether there had been any instances of accredited AEOs being disqualified or had their accreditation renewal applications refused for failing to be in continuous compliance with the accreditation criteria.

25. USCED advised that C&ED maintained stringent standards in AEO accreditation in accordance with the requirements under the SAFE Framework. This was essential to gain Hong Kong the necessary credibility for its MRA partners to continue to provide Hong Kong AEOs with customs facilitation. Each application was subject to examination and approval by an Accreditation Panel chaired by an Assistant Commissioner of Customs and Excise. After accreditation, C&ED conducted regular checks on an accredited Hong Kong AEO to ensure that the enterprise continued to meet the accreditation criteria. The accreditation was subject to renewal every three years. Since the launch of the AEO Programme, there had not been any case of disqualification of AEOs or refusal of accreditation renewal.

26. DS(C&I)2 advised that an AEO would need to meet the accreditation standards but could benefit from lower operational costs arising from clearance

facilitation upon accreditation. The cost and benefits of securing accreditation would vary from one enterprise to another, and the benefit case would depend much on the width and depth of the global supply chain of the enterprise involved. C&ED would continue to assist interested SMEs in meeting the accreditation standards, with a view to further raising the number of SMEs accredited as Hong Kong AEOs.

27. Noting that the Hong Kong AEO Certification process leading to the accreditation usually took three to four months, Mr Martin LIAO enquired about the annual average number of AEO applications received by C&ED, the maximum number of Account Managers to be deployed to follow up AEO applications, and the room for expediting the Hong Kong AEO Certification process.

28. SS(SCS) advised that C&ED received and processed about 12 to 16 AEO applications each year, but a few were withdrawn by the applicants themselves after preliminary assessment by C&ED. All applications were processed as quickly as possible. An average of four Account Managers would be deployed to follow up AEO applications, and up to six Account Managers would be deployed as and when the need arose. The current manpower arrangement was adequate to cope with the service demand, but C&ED would regularly review the manpower arrangement, make suitable deployment and, where necessary, seek additional manpower resources under the established mechanism.

29. Noting that the number of companies accredited as Hong Kong AEO as at May 2019 stood at 54 (given the abundance of SMEs engaged in import and export trade in Hong Kong) after seven years of implementation, Mr WU Chi-wai was concerned whether the accreditation criteria were so demanding that only large scale enterprises could meet the accreditation criteria. He enquired whether the Administration had assessed the number of enterprises in Hong Kong which were capable of meeting the accreditation criteria, and the potential economic gains to be brought by such enterprises from obtaining the AEO accreditation, and whether the Hong Kong AEO Programme could indirectly facilitate the interception of foreign waste being imported to Hong Kong.

30. DS(C&I)2 advised that, apart from benefitting the Hong Kong AEOs through clearance facilitation, the Hong Kong AEO Programme could also allow C&ED to focus resources and efforts on inspecting non-AEO and high-risk cargoes. The potential economic costs to be incurred or benefits to be reaped by enterprises from obtaining the AEO accreditation would vary from case to case. Generally speaking, enterprises with a global supply chain network should stand to benefit more from AEO accreditation. It was difficult for the Administration to assess how many local enterprises were capable of meeting the criteria, as the Administration did not maintain data on the business operation of individual enterprises. That said, every enterprise involved in supply chain operation possessed potential to meet the AEO

accreditation criteria, and large enterprises did not enjoy absolute advantage over SMEs in their AEO applications. In order to assist SMEs to meet the accreditation criteria, the Account Manager assigned by C&ED would follow up on each AEO application and assist the enterprise concerned in enhancing its internal controls and sharing the best practices in supply chain security. C&ED was keen on encouraging more SMEs to apply for accreditation and enhance the security for their supply chain operations.

31. SS(SCS) advised that being accredited as Hong Kong AEO was a manifestation of the outstanding performance of a company in upholding supply chain security. The accreditation qualification represented a reliable and trustworthy international brand. As such, the accredited enterprise should be able to meet stringent international standards. He said that under an "intelligence-led and risk management" approach, C&ED worked closely with other customs jurisdictions to track down illicit goods, including foreign wastes.

*Publicity of the Hong Kong Authorized Economic Operator Programme*

32. In response to Mr CHAN Chun-ying's and Mr Martin LIAO's enquiry about C&ED's effort in promoting the Hong Kong AEO Programme and the local enterprises' understanding of the programme, USCED advised that C&ED had been strengthening its promotion through social media, seminars for trade associations and out-reaching visits to enterprises. C&ED had also rolled out a set of online self-learning kit to assist interested local SMEs in assessing their readiness for accreditation and making preparation for application. The number of enterprises accredited as Hong Kong AEOs had been on the rise over the years.

33. SS(SCS) added that trade associations of different scales were engaged by C&ED in promoting the Hong Kong AEO Programme on a regular basis. C&ED also promoted the Programme in collaboration with the Hong Kong Trade Development Council and the Hong Kong Productivity Council through participating in the events and exhibitions organized by these organizations. To further promote the Hong Kong AEO Programme, C&ED had launched the webpage of "AEO Blogger" which was a platform for Hong Kong AEOs to share their valuable experience on how the Hong Kong AEO Programme had helped their enterprises in upgrading, enhancing and improving their operational management and supply chain security, and in exploring new markets.

34. Mr WU Chi-wai enquired whether the Administration had compared its effort in promoting the Hong Kong AEO Programme with Hong Kong's regional competitors such as Singapore. Mr WU and the Chairman said that the Administration should adopt a proactive and targeted approach in identifying the enterprises meeting the accreditation criteria and promoting the AEO accreditation to such enterprises.

35. SS(SCS) advised that, in order to strengthen promotion of the Hong Kong AEO Programme and its branding effect to the trade, C&ED had been proactively promoting the Programme through seminars for trade associations and out-reaching visits to enterprises, and would continue to press ahead with such efforts. USCED added that the Administration would continue to strive for extending Hong Kong's network of MRAs to more economies, which would help further enhance the appeal of the Hong Kong AEO Programme.

**VI. Any other business**

36. There being no other business, the meeting ended at 5:59 pm.

Council Business Division 1  
Legislative Council Secretariat  
12 August 2019