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For Immediate Release

Joint Press Release: Twenty netted, syndicate smashed in Competition Commission and ICAC first joint operation against corruption and tender-rigging over building maintenance

The Competition Commission (Commission) and ICAC conducted their first joint operation in the past two days (April 16 and 17), neutralising a newly-rising syndicate engaging in corruption and tender-rigging in relation to building maintenance.

In the joint operation, search warrants were executed by the Commission and ICAC to conduct searches at about 40 premises, including offices of project contractors, consultancies and property management companies, as well as residences of the individuals concerned. Various exhibits were also seized, including computers, mobile phones, and tendering documents relating to building maintenance projects, etc.

The Commission has exercised its compulsory powers in the operation. In addition to searching premises with warrants, it also requested relevant parties to produce documents and information. During the course of the operation, certain individuals had refused to provide relevant information. The Commission will follow up on this obstruction of its investigation powers, which is criminal in nature under Sections 52 and 54 of the Competition Ordinance.

In the joint operation, the ICAC arrested 20 persons, namely 17 men and three women aged between 36 and 70, including the mastermind and backbone members of the syndicate. The arrestees included project contractors, project consultants, middlemen, members of Incorporated Owners and members of property management companies.

The companies and individuals concerned were alleged to have engaged in corruption and anti-competitive activities, contravening Section 9 of the Prevention of Bribery Ordinance and the First Conduct Rule of the Competition Ordinance. Through bribery means, they had allegedly manipulated the tendering exercises of building maintenance projects, exaggerated contracts sums, assisted associated contractors to obtain maintenance projects and consultancy contracts, and manipulated project supervision and project payment release.

The operation involved renovation projects of two residential estates and residential-commercial composite buildings on Hong Kong Island, as well as four residential estates and industrial buildings in the New Territories. Individual contracts of such renovation projects worth from several millions to several tens of millions dollars, totalling around \$180 million. It is alleged that bribe payments of individual projects amounted to over \$1 million. Half of the renovation projects were yet to be awarded, while works of the remaining projects had been launched prior to the commencement of the Commission and ICAC investigations.

The Commission and ICAC believe that the syndicate concerned has been neutralised. As inquiries are ongoing, further law enforcement actions will not be ruled out. No further comment on the case will be made by the Commission and ICAC at this stage.

The joint operation conducted by the Commission and ICAC demonstrated the determination of the two agencies in cracking down corruption and potential anti-competitive activities in building maintenance. The two agencies will continue to maintain close liaison with other law enforcement agencies and related authorities to ensure a clean and level-playing field for the building maintenance industry and to safeguard the rights of property owners.

The investigations arose from a corruption complaint in relation to building maintenance lodged with the ICAC by members of the public. In-depth inquiries by the ICAC uncovered the aforementioned syndicate and their alleged involvement in other residential estates and buildings. Meanwhile, the Commission had also received intelligence earlier alleging anti-competitive conduct in relation to various building maintenance projects. The Commission followed up on the case and was satisfied that there was reasonable cause to suspect that the concerned projects had been the target of collusion. The Commission therefore decided to escalate the case to the investigation phase.

The Commission calls on anyone who can provide information on the matter or the relevant practices to contact the Competition Commission as soon as possible by telephone on 3462 2118 or by e-mail at complaints@compcomm.hk. The Competition Commission will keep any information provided, including the identity of informants, confidential. Those who consider that they may have engaged or been involved in cartel conduct should approach the Commission as soon as possible for leniency or co-operation (Leniency Hotline: 3996 8010; e-mail: leniency@compcomm.hk).

The ICAC also calls on property owners and members of the public that, should they suspect corruption is involved in building maintenance, they should make enquiries or report to the ICAC. The ICAC's report corruption hotline: 25 266 366.

Building maintenance has been a matter of great concern for property owners in Hong Kong, and the Competition Commission has been proactively following up on cases in the relevant market. Cartel conduct such as bid-rigging, is specified as a serious anti-competitive conduct under the Competition Ordinance. In addition to enforcement actions, the Competition Commission has been actively launching publicity and educational initiatives to raise public awareness of such anti-competitive conduct, and to assist procurers in strengthening their preventive efforts. Apart from rolling out a series of educational resources on its website, the Competition Commission also reaches out to the community by speaking at briefings organised by different government departments, District Councils and public bodies targeting property owners and property management practitioners across different districts in Hong Kong.

Separately, the Competition Commission has also published a set of model "Non-collusion Clauses" for procurers to incorporate into their invitation to bid documents and contracts, with a view to reducing their exposure to anti-competitive conduct during procurement exercises. In essence, the "Non-collusion Clauses" serve to warn bidders of the prohibition against, and consequences of, entering into anti-competitive arrangements, as well as to provide a clear and straightforward contractual remedy for procurers in the event that these clauses have been breached.

The ICAC has adopted a three-pronged approach of enforcement, prevention and education in fighting corruption in relation to the building management industry. The ICAC will continue to proactively approach building management bodies and encourage flat owners to stay vigilant against corruption in renovation works through active participation in building management. In

collaboration with different government departments, professional bodies, regulators and trade associations, the ICAC will continue to organise integrity training to enhance practitioners' anti-corruption capacity and resistance to bribery temptations. The ICAC has also produced a wide range of practical education resources which are available in the Integrity and Quality Building Management website (bm.icac.hk). Citizens are also welcome to call the Integrity Building Management Enquiry Hotline at 2929 4555 for ICAC services.

The ICAC has recently compiled the "Corruption Prevention – Building Maintenance Tips for Owners" leaflet, which lists out the key points-to-note in relation to building maintenance projects, and provides relevant corruption prevention suggestions and information. Members of the public can now download the leaflet from the ICAC Corruption Prevention Advisory Service webpage (cpas.icac.hk).
