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For Immediate Release (draft)

Joint press release: Competition Commission, ICAC and Police tripartite operation against bid-rigging and bribery syndicate in building maintenance leads to arrest of 50

The Competition Commission, the Independent Commission Against Corruption (ICAC) and the Organized Crime and Triad Bureau of the Hong Kong Police Force (Police) conducted a tripartite operation codenamed “Iron Pact” last week (August 26 and 27), neutralising a building maintenance bid-rigging and bribery syndicate led by a project contractor. The ICAC and the Police arrested a total of 50 individuals, including the mastermind and backbone members of the syndicate, some of whom with triad backgrounds. The building maintenance projects concerned 27 housing estates and buildings across Hong Kong, with an estimated total contract value approximating HK\$500 million.

During the joint operation, the three agencies conducted searches at 39 premises, including offices of project contractors and consultants, as well as residences of the individuals involved. Documents related to the building maintenance projects and accounting records were seized, and premises allegedly controlled by relevant triad for illegal activities were also raided. A total of 50 individuals, aged between 24 and 77, were arrested by the ICAC and the Police.

The Competition Commission’s operation concerns building maintenance projects of 23 housing estates and buildings spanning eight districts across Hong Kong Island, Kowloon and the New Territories, involving contracts with an estimated total value of around HK\$300 million. Some of the project tenders have been overturned, while others have commenced or were already completed prior to the commencement of the Competition Commission’s investigation. The Competition Commission has been reaching out to relevant stakeholders of the buildings involved in the case.

The Competition Commission’s investigation originated from its search operation last August, which targeted a building maintenance project of a private housing estate in the Kowloon City District. After conducting an in-depth analysis of the evidence seized, the Competition Commission discovered that the aforementioned syndicate had allegedly engaged in anti-competitive conduct during multiple projects’ tendering processes, including disseminating pricing instructions (commonly referred to as “homework”) to its members so as to control their bidding prices. Through the coordination of a middleman, the concerned syndicate also collaborated with another bid-rigging syndicate by each arranging their own contractors to participate in the tendering processes of certain projects so as to enhance their chances of winning. Such conduct is suspected to have constituted bid-rigging, market-sharing, price-fixing and exchanging competitively sensitive information, in contravention of the First Conduct Rule under the Competition Ordinance.

During the operation, in addition to executing search warrants, the Competition Commission also exercised its compulsory powers to request relevant parties to produce documents and information, and to attend before the Competition Commission to provide relevant information.

Following corruption complaints filed by the public regarding building maintenance, the ICAC discovered that a project contractor was suspected of securing multiple building maintenance contracts through bribery. After an in-depth investigation, major renovation projects for three composite and private residential buildings in the Eastern District, Wan Chai District and Yau Tsim Mong District were identified, with contract values approximately HK\$200 million. The enforcement action successfully intercepted construction contracts that had not yet been awarded.

The project contractor, who is also the syndicate head, is suspected of bribing project consultants and some members of Owners' Corporations (OCs) to secure the three major renovation contracts. The project contractor allegedly obtained assistance through bribery, including concealing the company's conviction records in tender analysis reports to win the bids, and splitting the major renovation project into small-scale works to circumvent procedures requiring approval by the owners. As registered inspectors (RIs) are also suspected of failing to perform their duties, the ICAC has referred the matter to the Buildings Department for follow-up action.

During the operation, the ICAC arrested 10 individuals, comprising eight men and two women aged between 39 and 77, some with triad backgrounds. They include the project contractor, project consultants, RIs, chairpersons, and a member of OCs. The ICAC also seized cash valued at over HK\$1.2 million from the premises of a project consultant, suspected to be part of the bribes involved in the case.

On August 26, the Police also conducted raids on multiple premises in Kowloon suspected of being controlled by the relevant triad-related persons, successfully dismantling three illegal fishing-hitting gambling establishments and arresting 37 persons (25 males and 12 females), aged between 24 and 62, for the offences of "operating gambling establishments" and "gambling in any place not being a gambling establishment".

Separately, the Police carried out an enforcement operation in connection with a case of "conspiracy to use false instruments" relating to building maintenance works and arrested three local males, aged between 40 and 69, who are respectively a director of a construction company, a structural engineer and a director of a contractor company. The three arrested persons are suspected of submitting 13 forged works completion certificates to the Buildings Department in July and August 2022 in respect of minor works at 13 residential flats in a housing estate on Hong Kong Island. The signatures of the RI on those certificates were allegedly made after the inspector had died.

The Competition Commission, the ICAC, and the Police have successfully neutralised this building maintenance bid-rigging and bribery illegal syndicate. The three agencies reiterate their commitment to continue close cooperation in comprehensively cracking down on bid-rigging, corruption, triad activities, and other illegal acts involving building maintenance works. The three parties will also strengthen related publicity and educational efforts, providing guidance and support to relevant stakeholders to prevent corruption, anti-competitive conduct, and other unlawful activities from occurring in building maintenance projects.

The Competition Commission, the ICAC and the Police call on the public to actively participate in building management affairs and proactively report any illegal activities to law enforcement agencies. For high-value procurement tenders, property owners should, in accordance with their actual circumstances, adopt the enhanced set of model "Non-Collusion Clauses" published by the Competition Commission earlier this year, so as to further deter and penalise collusive conduct including bid-rigging. Stakeholders may refer to relevant information provided by the ICAC and the Police regarding building maintenance.
