

21/03/01 Listed company chairman and vice chairman arrested for alleged project fee inflation scam facilitated by graft

The ICAC arrested on Monday (March 19) six persons, including the chairman and a vice-chairman of a public listed company, for their alleged involvement in a housing project fee inflation scam suspected to be facilitated by graft.

The other four arrested were a former executive director, a serving executive director and a financial controller of the listed company, and a project manager of a subsidiary of the company.

It was suspected that the arrestees had obtained the assistance of some staff of an architect firm to certify inflated project fees in relation to a government's Private Sector Participation Scheme project.

The Architect's Certificates were subsequently submitted to the banks for release of interim payments for the inflated project fees.

The project, worth about \$1,232 million, involves the construction of seven blocks of residential buildings and other amenities in Hung Hom.

Both the project developer and the main contractor were subsidiaries of the listed company. The developer financed the project through a syndicated loan from a group of banks.

ICAC investigations revealed that the top management of the listed company had instructed the main contractor to inflate the value of the works completed for the project to get extra cash from the bank, thus increasing the company's cash flow.

The main contractor allegedly instructed the project manager to exaggerate the value of works completed in three of their monthly Payment Valuation Reports last year, inflating the amount of work value by \$31.5 million in total.

ICAC enquiries further revealed that the main contractor had remitted the extra amount of cash obtained to the listed company.

The six arrestees have been released on ICAC bail. The enquiries are continuing.