

11/04/01 ICAC probe unveils alleged bribery scam involving supply of counterfeit locks for HA housing projects

The ICAC has arrested 17 people, including the chairman and the managing director of a public listed company in Hong Kong, and a government architect, for their involvement in an alleged bribery scam connected with the supply of counterfeit locks for the Housing Authority's housing projects.

It was suspected that the arrested Architect, who was attached to Housing Department's Design and Standards Section might have corruptly assisted a supplier to become an approved building material contractor.

Also arrested in the operation codenamed "Salangane" which commenced yesterday were four directors and four employees of the listed company's subsidiary, which was the sole agent supplying locks of a Japanese brand.

The remaining six arrestees were two Japanese agents and their two staff, a transportation worker, and another HA approved supplier.

The ICAC investigation originated from a corruption complaint, alleging that some staff of the HD had accepted advantages to help unqualified lock suppliers become approved contractors.

During the operation, the ICAC seized about 100,000 counterfeit locks at a three-storey godown in Aberdeen, owned by the listed company. Each floor of the godown measures 20,000 square feet.

The cost for manufacturing a counterfeit lock is about half of that for a genuine one. Such counterfeit locks, when supplied to HA, would charge about \$200 each.

Seven seals for manufacturing counterfeit brand logos were also seized in the operation.

Meanwhile, another quantity of counterfeit locks were found at a factory in Dongguan, Mainland China, which was the manufacturing base of such products. Officials from the Guangdong Public Security Bureau searched the factory yesterday at the request of the ICAC.

It was estimated that the public listed company's subsidiary had supplied \$50 million worth of locks to HA's housing projects from 1997 to 1999.

In 1996, HA devised a system to put qualified building material suppliers on a List of Approved Proprietary Names for Building Materials (Approved List) for the sake of ensuring consistent quality of materials and building components used in HA's projects.

It was believed that despite allegations that the locks supplied by the listed company's subsidiary were of dubious quality, the subsidiary had successfully become an approved supplier.

About one year after the listed company's subsidiary was included into the Approved List, the original Japanese manufacturer was declared bankrupt and stopped producing the locks in Japan.

ICAC enquiries revealed that the listed company's subsidiary then manufactured their own locks at a Mainland factory and repacked them under the original Japanese brand name at a godown in Aberdeen.

Meanwhile, two agents of the original Japanese manufacturer set up their own company in Hong Kong and allegedly issued certificates to falsely certify that the locks made in the Mainland were manufactured in Japan.

It was suspected that the management of the listed company's subsidiary and the two Japanese agents had conspired to offer advantages to the HD Architect to help the listed company's subsidiary become and remain an approved supplier on HA's list.

The other approved supplier arrested in the operation was also suspected

