

**Memorandum for the Review Committee on Quality Assurance Issues
Relating to Fresh Water Supply of Public Housing Estates
of the Hong Kong Housing Authority**

**Report on Imposition of Regulatory Actions Against
Building Contractors and other Actions Against Related Parties**

PURPOSE

This paper informs Members of the regulatory actions taken against the building contractors on the Housing Authority (HA)'s List of Building Contractors (New Works Category) and other actions against related parties, including the plumbing installation subcontractors and Licensed Plumbers (LP) at contract level, due to the "excessive lead content in fresh water in public housing estates" incident ("the incident").

BACKGROUND

2. TC Members deliberated on this matter in six regular/special meetings ^{Note 1}, including interviewing the four involved building contractors who submitted their investigation reports, interim measures and proposed rectification for TC's consideration on 17 September 2015.

REGULATORY ACTIONS TAKEN

Building Contractors

3. On 30 September 2015, whilst allowing more time to deliberate on the period of suspension from tendering to be imposed against all building contractors involved/related in the incident, TC decided to take immediate

Note 1 Regular TC Meetings on 20 August 2015, 17 September 2015 and 23 October, 2015.
Special TC Meetings on 30 September, 2015, 2 October 2015 and 6 November 2015.

regulatory actions against the subject building contractors –

- (a) **Not to consider** the six concerned building contractors for any of the tenders we have issued to them since 1 March 2015 until 30 September 2015 (i.e. seven months). The six concerned building contractors are –
 - (i) China State Construction Engineering (Hong Kong) Limited (China State);
 - (ii) Paul Y. General Contractors Limited (Paul Y General);
 - (iii) Shui On Building Contractors Limited (Shui On);
 - (iv) Yau Lee Construction Company Limited (Yau Lee);
 - (v) China Overseas Building Construction Limited (China Overseas); and
 - (vi) Paul Y. Construction Company, Limited (Paul Y Construction).
- (b) To **remove** the Premier League Contractor Status from China State, Shui On and Yau Lee and not to approve their applications for renewal upon expiry of this status in September 2015, i.e. they would not possess a capping limit higher than that of a NW2 building contractor, nor unqualified opportunity to tender for special projects.

4. On 6 November 2015, in consideration of the contractors' commitment in dealing with the incident (e.g. provision of performance bond) and the impact to HA, as a continuum of the previous meeting, TC made a decision on the period of suspension from tendering, and took further regulatory actions against the subject building contractors with effect from 1 October 2015 for the following periods –

- (a) At least a period of **one month** for Shui On and deprived of **one tendering opportunity (TO)**;
- (b) At least a period of **three months** for China State, and Paul Y. General and deprived of **four TO**;

- (c) At least a period of **five months** for Yau Lee and deprived of **five TO**; and
- (d) For the two related companies, i.e. China Overseas (related company of China State) and Paul Y. Construction (related company of Paul Y. General), the suspension period and uplifting will follow their related companies.

5. The uplifting will also be subject to each main contractor's satisfactory performance in carrying out the interim measures and permanent rectification works in the affected completed estates, and enhanced measures of on-going contracts.

6. Noting that the investigations by the Review Committee and Commission of Inquiry of the Government are still in progress, the contractors and/or related parties may be subject to more serious regulatory action if there are conclusive findings that they are held liable for the incident or any fraudulent acts identified eventually.

Domestic Sub-contractors (DPSC) and Licensed Plumbers (LP)

7. On 6 November 2015, TC also made a decision on action to be taken against the related parties including the DPSC, i.e. plumbing installation subcontractors, and LP at contract level –

- (a) To **debar** all the involved DPSC and LP from working on the seven contracts in the previous seven-month period (i.e. from 1 March 2015 to 30 September 2015);
- (b) To take immediate action against the involved DPSC and LP by further debarring them from working on HA new works contracts with effect from 1 October 2015 for the following periods and contracts –
 - (i) a period of **one month** and **one contract** for Ho Biu Kee Construction Engineering Company Limited (DPSC) and Mr Lam Tak Sum (LP);
 - (ii) a period of **three months** and **four contracts** for Golden Day Engineering Company Limited (DPSC) and Mr Cheung Tat Yam (LP); and

- (iii) a period of **five months** and **five contracts** for Ming Hop Company Limited (DPSC) and Mr Ng Hak Ming (LP).

8. The subsequent press releases recording the decisions by TC on 30 September 2015 and 6 November 2015 are at **Annex A** and **Annex B** respectively.

INFORMATION

9. This paper is for Members' information.

Miss Irene CHENG
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List of Annexes

- Annex A** - Press Release for TC's decision on 30 September 2015
Annex B - Press Release for TC's decision on 6 November 2015

Press Release for TC's decision on 30 September 2015

Regulatory actions against six building contractors by Housing Authority

The following is issued on behalf of the Hong Kong Housing Authority:

The Tender Committee of the Hong Kong Housing Authority (HA) decided today (September 30) to take regulatory actions against four building contractors (and two related companies) which were found to have been involved in the construction of 11 public rental estates where excessive lead content was found in fresh water.

The HA will not consider any new works tenders submitted by the following six building contractors from March 1, 2015, to September 30, 2015 (i.e. seven months). They are:

- * China State Construction Engineering (Hong Kong) Limited (China State);
- * Paul Y. General Contractors Limited (Paul Y General);
- * Shui On Building Contractors Limited (Shui On);
- * Yau Lee Construction Company Limited (Yau Lee);
- * China Overseas Building Construction Limited; and
- * Paul Y. Construction Company, Limited.

The latter two are companies related to China State and Paul Y General respectively on the same HA list and category of contractors.

The Tender Committee decided to remove China State, Shui On and Yau Lee from the HA's Premier League of contractors with effect from October 1, 2015.

The Committee will further discuss the subject in the coming meeting.
Ends/Wednesday, September 30, 2015
Issued at HKT 20:09

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Press Release for TC's decision on 6 November 2015

HA Tender Committee meeting today

The following is issued on behalf of the Hong Kong Housing Authority:

The Tender Committee (TC) of the Housing Authority (HA) held a meeting today (November 6).

All four main contractors involved in the public rental housing (PRH) estates in which the lead content in fresh water supply was found exceeding the World Health Organization's provisional guideline value have agreed to provide a performance bond to the HA to provide additional commitment to implementing measures to provide safe and convenient water supply to residents and to complete necessary rectification of water pipes and fittings, an HA spokesman said.

The four main contractors are China State Construction Engineering (Hong Kong) Limited, Shui On Building Contractors Limited, Paul Y. General Contractors Limited and Yau Lee Construction Company Limited.

In earlier deliberations on appropriate regulatory actions against the four main contractors, some TC members had suggested that apart from restricting the tender eligibility of the main contractors in forthcoming new works tenders, it would be relevant if the main contractors could provide additional commitment to the above measures, the spokesman noted.

After discussions with the HA, each of the four main contractors has agreed to provide a performance bond. They emphasised that they are providing the bond as a matter of good faith, good will and civic mindedness, and without any admission or acceptance of any liability on their part and without prejudice to their legal rights and position.

The bond covers the following actions:

* at its own expense, each main contractor has installed water filters in affected flats and will maintain them for two years from the date of the installation;

Annex B

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* at its own expense, each main contractor has installed temporary water supply pipes at every floor of each individual block of the affected estates and will maintain them until the completion of the rectification of pipes and joints;

* at its own expense, each main contractor will rectify all water pipes and joint fittings of the fresh water supply systems of the PRH estates which are necessary under the contract, and the remedial works will include a 12-month maintenance period commencing from the date of completion as certified by the Contract Manager; and

* each main contractor has no objection to providing the HA with a performance bond of \$5,000 per flat within 21 days from the date to be notified by the HA, upon which the HA may call in the event that the main contractor is in default of any of the above clauses.

Taking into account the additional commitment, the TC decided that, in addition to the decision reached on September 30 of not considering the four main contractors (and two related companies) for tenders invited by the HA during the seven-month period from March to September this year, the HA will further suspend these main contractors from tendering for any HA new works contracts with effect from October 1, 2015 for the following periods:

* a period of one month for Shui On Building Contractors Limited (involving eight contracts with about 19,400 flats);

* a period of three months for China State Construction Engineering (Hong Kong) Limited, and Paul Y. General Contractors Limited (involving 11 contracts with about 21,700 flats); and

* a period of five months for Yau Lee Construction Company Limited (involving 12 contracts with about 26,600 flats).

The uplifting will also be subject to each main contractor's satisfactory performance in carrying out the interim measures and permanent rectification works in the affected estates.

Also in addition to the seven-month suspension, the HA will take immediate action against the involved domestic plumbing installation sub-contractors at contract level by debarring them from working on any HA new works contracts with effect from October 1, 2015 for the following periods:

* a period of one month for Ho Biu Kee Construction Engineering Company Limited;

* a period of three months for Golden Day Engineering Company Limited; and

* a period of five months for Ming Hop Company Limited.

Similarly, apart from the seven-month suspension, immediate action will also be taken at contract level against the three licensed plumbers involved in the incidents by debarring them from working on any HA new works contracts with effect from October 1, 2015 for the following periods:

- * a period of one month for Mr Lam Tak-sum;
- * a period of three months for Mr Cheung Tat-yam; and
- * a period of five months for Mr Ng Hak-ming.

Ends/Friday, November 6, 2015

Issued at HKT 23:12

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