



A level playing field gives Hong Kong the competitive edge

The ICAC attaches great importance to the maintenance of a level playing field for businesses, and vigorously pursues a double-barrel strategy in fighting corruption in both the public and private sectors. With co-operation from the community and the business sector, this strategy has borne fruit. Hong Kong is now dubbed one of the least corrupt places in the world.

Strongly advocating this dual approach, the United Nations Convention Against Corruption obliges its 140 signatory states to implement robust measures to combat private sector corruption, alongside anti-corruption efforts in the public sector.

“In Hong Kong, the anti-graft agency is armed with the legal powers to effectively tackle corruption in both the public and private arenas,” said ICAC’s Director of Investigation (Private Sector), Mr Francis Lee Chun-sang.

In recent years, corruption reports concerning the private sector recorded a downward trend. In 2005, such reports totalled about 2,240, representing a six per cent decrease from about 2,400 in 2002. Meanwhile, ICAC’s relentless enforcement actions had led to a high conviction rate of 75 per cent in private sector cases in 2005.

“Globalization and rapid advances in information technology have made private sector cases increasingly sophisticated. To enhance our investigative edge, we have further strengthened the capability of our Computer Forensics Section and Financial Investigation Section in handling complex cases,” Mr Lee added.

To uphold the fair business environment of Hong Kong, the ICAC relies on the continuous support of the business community. Company executives and management should be vigilant to the risk of corruption and promptly report any suspicious dealings to the ICAC.



The ICAC conducted 237 computer data analyses and investigated 7,789 financial transactions in the first nine months of this year.

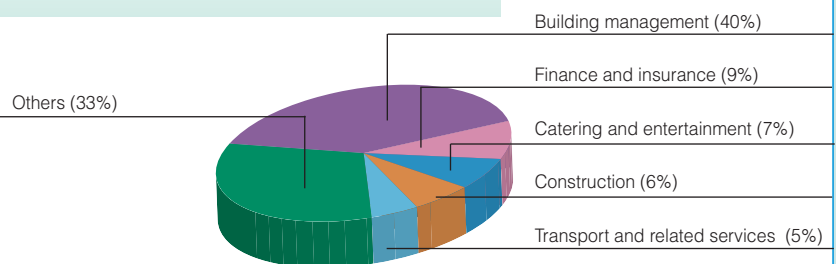
Asia's world city
HONG KONG
Website: www.icac.org.hk

Previous issues

Feedback

Private sector corruption reports

	2006 (January - September)
Total corruption reports	2,461
Private sector corruption reports	1,463
Percentage	59%



ICAC case in focus:

Six-million-dollar kickback scam

With assistance from authorities in the United Kingdom (UK), Switzerland and New Zealand, the ICAC smashed a corruption racket involving three senior executives of a subsidiary of a UK-based broadcasting corporation and two associated companies.

Their corrupt transactions, involving bribes to the tune of HK\$6 million (about US\$769,000) in total, took place in Hong Kong between 1999 and 2001:



The broadcasting corporation entrusted a subsidiary to produce large quantities of cartoon toys to promote its children programmes. Two other associated companies acted as agents to manage the business relations with suppliers or manufacturers based in Southern China.

Taking advantage of their positions, three directors of these companies demanded from a number of suppliers illegal commissions totalling HK\$6 million (US\$437,000 and HK\$3.05 million), which were disguised as various fees and charges.

To further conceal their corrupt deals, the directors transferred the bribe payments to their bank accounts in Switzerland and New Zealand. The monies were then shared amongst the three executives according to an elaborate scheme.



The three directors were subsequently charged by the ICAC for breaching the Prevention of Bribery Ordinance of Hong Kong. The judge described this case as one involving corruption of a significant scale and on an international basis.

The trio pleaded guilty and was each jailed for 20 months. One of the defendants was ordered to pay a restitution of US\$190,867 and £90,000 (HK\$2.8 million in total).

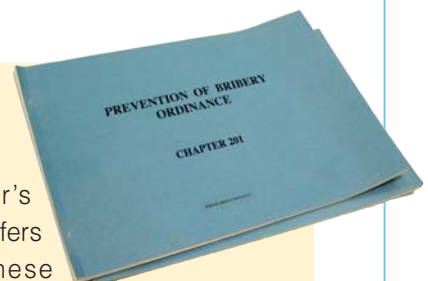
Strict laws uphold fair play in HK

To uphold justice in our society and ensure a level playing field for businesses, Hong Kong has strict laws prohibiting bribery and corrupt practices in both the public and private sectors.

The **Prevention of Bribery Ordinance (PBO)** is the piece of legislation against corruption in Hong Kong. Section 9 of the PBO stipulates that it is an offence for an agent (e.g. a staff member or a director of a company) to solicit or accept an advantage in connection with his or her employer's

affairs without the latter's permission. Any person who offers an advantage under these circumstances is also guilty of an offence.

A person convicted of an offence under Section 9 of the PBO is subject to a maximum penalty of seven years' imprisonment and a fine of HK\$500,000. He may also be prohibited from taking up a management post of any corporation or public body for up to seven years.



Tips for entering new markets

The increasingly close economic ties between the Mainland and Hong Kong accentuated by the Closer Economic Partnership Arrangement (CEPA) have offered abundant business opportunities to investors and entrepreneurs. Like any business ventures in a new market, businessmen may face challenges arising from a different legal and business environment.

“To ensure success of your cross-boundary business endeavour, you must first understand the relevant legislation, including the laws governing corrupt or bribery acts, and abide by them,” says ICAC Programme Co-ordinator (Business Sector), Rita Liaw.

The ICAC has earlier produced a ***Corruption Prevention Kit on Cross-Boundary Business*** to familiarise investors and managers with the relevant laws in the Mainland and Hong Kong. The kit includes case scenarios to help cross-boundary businessmen grasp the principles in ethical management. It also provides practical tips for managing the risk of corruption in common areas of concern including procurement, inventory control, staff administration, accounting and information management.

To tie in with the third phase of CEPA that offers additional liberalisation measures for Hong Kong companies in the finance, construction and logistics sectors, the ICAC will launch in December a corruption prevention guidebook targetted at the banking and financial sectors engaged in cross-boundary operations.

Meanwhile, an information package aimed to introduce Hong Kong’s anti-bribery laws and ICAC’s corruption prevention and education services to new investors in Hong Kong will be produced and distributed through business chambers later this year.



Partnership with the business sector in ethics promotion

Major chambers of commerce and professional bodies have been close partners of the ICAC in promoting business ethics in various industries and professions. Here are some examples of joint integrity projects in recent years:

- 2003 - 2005
 - Business ethics promotion programme for listed companies
 - Ethics programme for the travel and tourism industry
- 2001 - 2003
 - Ethics promotion programme for the banking industry
 - Integrity programme for the construction industry

In the past three years, ICAC’s Community Relations Department has conducted over 4,200 integrity training talks for more than 20,000 managerial and 100,000 frontline staff of major corporations, multinational firms, Mainland-funded companies as well as small and medium sized enterprises.

For more details about ICAC services, please contact:

 **Hong Kong Ethics Development Centre** (Tel: 2587 9812)

 **Advisory Services Group of Corruption Prevention Department** (Tel: 2526 6363)