

GLD's response on procurement of surgical masks with suspected false trade descriptions

Regarding a batch of masks with suspected false trade descriptions procured by the Government Logistics Department (GLD), the spokesperson for GLD indicated today (July 2) that the batch of masks concerned was procured by GLD through direct engagement from a local supplier in March this year. The supplier claimed that the masks involved in the case were from Shanghai, the product specifications were in compliance with the American Society for Testing and Materials (ASTM) F2100 Level 1 standard, and the offered price was in line with the prevailing market price. As such, GLD awarded the procurement contracts to the supplier. In response to GLD's request, the supplier provided documents to GLD to demonstrate that the masks supplied were in compliance with relevant standard.

As at early June, the supplier has provided a total of 6.7 million of the concerned masks to GLD and received payment of \$15.2 million. When inspecting masks involved in this case, GLD has followed established procedures to conduct sample inspection. GLD did not find any irregularities in the sample inspection. GLD has also requested the supplier concerned to submit testing reports to ascertain the quality of the masks concerned. GLD has previously passed samples of the masks involved in the case to an accredited laboratory for tests on bacterial contents, results of which showed that according to the relevant hygienic standard for disposable sanitary products, the total bacteria counts of the mask samples involved in the case did not exceed the standard limit. Having learnt that the Customs and Excise Department (C&ED) was conducting investigation on this batch of masks with suspected false trade descriptions, GLD immediately stopped making remaining payments payable to the supplier concerned and receiving masks that have yet to be delivered. GLD has also rescinded the relevant procurement contracts with the supplier concerned and will seek to recover from that supplier all losses and compensation.

Meanwhile, as GLD suspected that the supplier concerned had submitted false documents, the case was referred to the Hong Kong Police Force for investigation. As regards the information on the supplier concerned, as the case has been passed to enforcement departments for follow-up, it was inappropriate for GLD to disclose details at this stage.

Around 3.12 million masks involved in the case were distributed by GLD to 11 Government departments, mainly the Social Welfare Department (SWD), disciplinary departments and the Food and Environmental Health Department. According to information provided by SWD, the surgical masks concerned were distributed by SWD to residential care homes for the elderly and persons with disabilities. Upon noting that the masks involved in the case may be problematic, GLD has immediately notified the relevant departments to stop

using the masks concerned and has arranged for recovery. After preliminary stock-taking, GLD estimated that around 1.58 million masks involved in the case would be recovered. All masks recovered and the current stock of about 3.59 million masks concerned in GLD will be passed to C&ED.

GLD will continue to make its best endeavours to assist enforcement departments in their investigation.

The spokesperson for GLD also indicated that under general circumstances, GLD will procure masks through tendering/quotation procedures. Documents required to be submitted by tenderers as specified in tendering/quotation documents include but are not limited to:

- (1) undertaking/letter of intent of manufacturer;
- (2) product sample(s); and/or
- (3) relevant report(s) by independent accredited laboratories.

GLD will evaluate information provided by tenderers. If the documents submitted by suppliers are in doubt, GLD will request certification from the manufacturers which issued the undertaking/letter of intent and/or from the independent accredited laboratories which issued the test reports. Where necessary, GLD will also pass the samples received to the Government Laboratory or other independent accredited laboratories for testing. Only after products are assessed to be in compliance with the specifications required will GLD consider awarding the contract.

As the COVID-19 pandemic developed swiftly at the beginning of this year, the global demand for masks increased sharply whereas supply shortage was acute. GLD had to procure masks worldwide by adopting different means and channels in order to acquire the required items as soon as possible and to meet the imminent needs of the Government. Hence, procurements made at that time were mainly conducted through direct engagement. If the information provided by a supplier showed that its product met the required specifications or standards and the price was in line with the prevailing market price, GLD would procure such product directly. As there was a huge world demand for masks at that time while the supply was tight, if GLD requested suppliers to provide independent testing reports, samples or other assurance documents of the goods offered, the suppliers would likely sell their goods to other buyers. Therefore, before the direct procurement contracts were concluded then, GLD could mostly make assessment only on the basis of the product information provided by suppliers. The masks involved in the case were procured under one of these direct procurement contracts.

GLD will strengthen sample inspection in terms of number/aspects related to each delivered batch of masks procured through direct engagement. For future procurement of masks, if time and situation of market supply permit, GLD will, as always, request suppliers to provide samples of masks, undertaking of manufacturers and product testing reports to facilitate evaluation.