

Hong Kong Competition Law: Cartels, Investigation Obstruction, and BMO Amendments

Competition Law Developments: Building Maintenance Cartels, First Criminal Conviction for Obstruction of Investigation Powers BMO Amendments



Hong Kong's competition law regime continues to evolve through active enforcement and targeted regulatory reforms. Recent developments highlight the Competition Commission's (the Commission) willingness to pursue both cartel conduct in the building maintenance sector and criminal prosecutions for obstruction of its investigation powers. At the same time, legislative amendments to the Building Management Ordinance (Cap. 344) have introduced clearer mechanisms for property owners to terminate Deed of Mutual Covenant managers, reshaping the competitive landscape of building management services. These changes carry practical implications for businesses and property stakeholders, underscoring the importance of understanding the enforcement environment and regulatory framework now in place.

First Criminal Conviction in Obstruction of the Commission's Investigation Powers

The Commission has welcomed the conviction of an individual in Hong Kong's first criminal case for non-compliance with its investigation powers under the Competition Ordinance (Cap. 619) in the context of a suspected price-fixing cartel relating to building maintenance services. The criminal case arose from an investigation conducted by the Commission into a suspected price-fixing cartel among cleansing service companies. During the execution of search warrants at the offices of the companies involved, an employee, Ms Lui Miu Ching Jessica, attempted to delete five documents and a number of computer links potentially relevant to the Commission's investigation, leading to a referral to the Hong Kong Police Force for criminal investigation. Ms Lui was subsequently prosecuted for disposing of and concealing documents in contravention of Section 53(1)(a) of the Competition Ordinance and was convicted and sentenced to imprisonment for two months, with bail granted pending appeal. In this matter, the Commission exercised its statutory investigation powers, including the execution of search warrants at relevant business premises. These powers, as set out in the Ordinance, include the ability to require any person to produce documents or information, to attend before the Commission to answer questions relevant to an investigation, and to enter and search premises pursuant to a court warrant.

Probing into Suspected Cases of Bid-Rigging of Building Maintenance Projects

Separately from the cleansing services case, the Commission has pursued a line of investigations into bid-rigging in the building maintenance sector. In August 2025, the Commission executed search warrants at four locations, including the offices of a building maintenance contractor and a building maintenance consultant, as well as the residences of individuals involved, in connection with a suspected bid-rigging case concerning a private housing estate building maintenance tender in Kowloon City with an estimated bid value of around HK\$40 million. After follow-up, identified indications that a building maintenance consultant may have colluded with a contractor to manipulate the tender outcome, including the use of violent means to pressure a potential bidder not to participate, leading the Commission to determine that there was reasonable cause to suspect a contravention of the First Conduct Rule and to escalate the matter to a formal investigation.

In the course of this operation, the Commission not only carried out the searches but also exercised its compulsory powers to require the production of documents and information and to request relevant parties to attend before it, while liaising with the owners' corporation of the estate and reserving the possibility of further enforcement action as the investigation proceeds. The Commission reiterates that cartel conduct in the building maintenance market is a serious concern for property owners, referencing earlier joint operations with the Independent Commission Against Corruption (ICAC) that dismantled a newly emerging bid-rigging syndicate, and confirms its continued commitment to tackling anti-competitive practices in order to maintain a level playing field in the sector.

Series of Joint Operations by the Commission and the ICAC and Operation "Janus"

Operation "Shotgun"

The Commission and the ICAC have undertaken a series of joint operations, they conducted a second joint operation, codenamed "Shotgun", over 21–22 August 2024 following their first joint action in mid-April against a newly emerging syndicate engaged in bid-rigging and corruption in building maintenance works. The two 2024 joint operations with the ICAC identified a newly emerging syndicate involved in bid-rigging and corruption over building maintenance, generating core evidence on cartel conduct, exaggerated contract sums and bribery in tenders for 38 projects with contract values exceeding HK\$1 billion.

Operation "Janus"

Building on the intelligence and leads from those joint operations, as well as the August 2025 Kowloon City search, the Commission then launched "Janus" in September 2025, targeting additional, long-operating bid-rigging syndicates implicated by earlier findings and applying the same investigation powers to a further set of maintenance projects. In the operation "Janus", the Commission executed search warrants at 19 premises over two consecutive days, including the offices of nine project contractors and residences of individuals, in a bid-rigging case involving 25 building maintenance projects spanning multiple districts in Hong Kong with contract values estimated at over HK\$600 million. Some of the renovation contracts concerned have yet to be awarded, and the Commission has approached relevant stakeholders of the buildings involved.

In the relevant renovation tenders, these syndicates are alleged to have manipulated tender outcomes by exchanging and coordinating bid prices, directly or through intermediaries, and by arranging cover bids at higher prices ("pig quotes"), amounting to bid-rigging, price-fixing and the exchange of competitively sensitive information in contravention of the First Conduct Rule of the Competition Ordinance.

Bid-rigging in the building maintenance sector has been a longstanding enforcement priority for the Commission, reflected in this series of proactive investigations and search operations. The August search concerning a Kowloon City private housing estate, together with the earlier joint operations with the ICAC that dismantled a newly emerging illegal syndicate, generated information which both advanced existing inquiries and revealed further embedded cases.

The Commission's Powers and Ordinance Provisions

The Commission's investigation powers enshrined in the Ordinance include requiring any person to produce documents or information and to attend before it to answer questions relevant to its investigations, as well as entering and searching relevant premises pursuant to a court warrant. Non-compliance with the Commission's investigation powers is a criminal offense. Section 53 of the Competition Ordinance provides that any person who, having been required to produce a document under the Commission's investigation powers, destroys, disposes of, falsifies or conceals that document is liable on conviction to a fine of up to HK\$1,000,000 and imprisonment for up to two years. Sections 54 and 55 further stipulate that any person who obstructs a search conducted by the Commission pursuant to a warrant, or provides false or misleading information, is also liable to a maximum fine of HK\$1,000,000 and imprisonment for up to two years.

In addition, Section 52 provides that a person who, without reasonable excuse, fails to provide documents or information required by the Commission, or fails to attend before the Commission without reasonable grounds, may be liable to a maximum fine of HK\$200,000 and imprisonment for up to one year. Any person who instructs or assists another person in obstructing the Commission's investigations may also be subject to criminal prosecution. The first criminal conviction for destruction and concealment of documents arising from the price-fixing investigation illustrates that these provisions are not merely theoretical, but form part of an integrated enforcement toolkit applied alongside cartel investigations and bid-rigging cases.

Commission's Principles, Ongoing Enforcement and Regulatory Changes

In its public statements, the Commission reiterates that non-compliance with its investigation powers constitutes a criminal offense and that obstructing such powers is a serious matter. The conviction in this first criminal prosecution is expressly framed by the Commission as underlining the gravity of obstruction and as serving as a strong deterrent against attempts to interfere with its enforcement work. In the bid-rigging investigations relating to building maintenance, the Commission has emphasised its proactive stance, the use of search warrants and compulsory powers, and its willingness to conduct joint operations with other enforcement agencies. It also continues to encourage parties with information on cartel conduct to contact the Commission, and invites undertakings that may have engaged or been involved in cartel conduct to approach the Commission for leniency or cooperation through its designated hotlines and email channels.

In parallel to enforcement, regulatory changes have been implemented to address structural issues in the building management market that have direct competition implications. The Competition Commission's 2015 submission on the BMO supported Home Affairs Department proposals to lower barriers for owners to terminate Deed of Mutual Covenant (DMC) managers initially appointed under the DMC, with a view to enhancing competition in the building management market and facilitating entry by alternative, more competitive managers. This policy direction has since been implemented through the Building Management (Amendment) Ordinance 2024 and related legislative instruments, which refine the statutory framework for DMC managers and codify clearer termination mechanisms in Schedule 7 to the BMO. Under the updated regime, in "Frequently Asked Questions on the Building Management Ordinance (Cap. 344)", expressly explain that paragraph 7(1) of Schedule 7 now provides the legal basis and procedural requirements for owners to terminate the appointment of a DMC manager, thereby putting in operation the earlier proposal by setting out the voting thresholds and meeting procedures under which owners may pass a resolution to end the manager's appointment in accordance with the Ordinance.

Key Takeaway for Execution and Compliance

These developments indicate that Hong Kong's competition regime is actively enforcing both substantive cartel prohibitions and non-compliance with investigation powers in relation to property-related markets, with real consequences including custodial sentences and significant financial exposure. The combination of criminal enforcement against destruction and concealment of documents, large-scale bid-rigging investigations involving coordinated bidding and "pig quotes" under the First Conduct Rule, and structural reforms to the BMO clarifying the termination mechanism for DMC managers, reflects a policy direction of coupling robust cartel enforcement with regulatory measures designed to support more open and competitive building management arrangements.

If you would like to access our legal services, please scan the QR code below to contact us.



Information in this update is for general reference only and should not be relied on as legal advice.

© 2025 JCHM Limited. All rights reserved.