

GLD's response on procurement of masks with suspected false indication of origin

A spokesperson for the Government Logistics Department (GLD) indicated today (September 2) that it has referred a case involving a batch of masks with suspected false indication of origin to the Hong Kong Customs and Excise Department for follow-up, and would make its best efforts to assist the enforcement department in its investigation.

The GLD procured the concerned masks through direct engagement from a local supplier in March this year. According to the procurement contract, the supplier was required to provide a total of 32 million masks, of which the origin was Japan and the product specifications were in compliance with the American Society for Testing and Materials (ASTM) F2100 Level 2 standard. The offered price of the masks was in line with the prevailing market price. The supplier has already delivered the 32 million masks in batches to the GLD and received \$97.75 million for the goods. All the concerned masks are still in the GLD's stock and have not yet been distributed to government departments for use.

Before awarding the procurement contract for the concerned masks, the GLD had received various documents from the supplier, including product specification testing reports, production information and letters from manufacturers as proof of compliance with relevant standards and place of origin. In June and July, the supplier submitted product specification testing reports again to demonstrate the quality of its delivered masks. The GLD also confirmed with the issuing body of the testing reports that the testing reports were genuine. The GLD did not find any quality problems when conducting random inspections of the goods in accordance with the established procedures.

The GLD subsequently learned that the 32 million masks delivered under the contract did not fulfil the requirements of the procurement contract, i.e. not all of the masks received were from Japan. It immediately withheld payment of the remaining amount due to the supplier, rescinded its procurement contract with the supplier and will seek to recover all losses and compensation from the supplier.

As the GLD has already referred the case to the relevant enforcement department for follow-up, it was not appropriate to disclose further information about the supplier.

The spokesperson for the GLD indicated that under general circumstances, the 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 the manufacturer;
- (2) product sample(s); and/or
- (3) relevant report(s) by independent accredited laboratories.

The GLD will evaluate information provided by tenderers. If the documents submitted by suppliers are in doubt, the GLD will request confirmation from manufacturers and/or independent accredited laboratories. Where necessary, the GLD will also pass the samples received to the Government Laboratory or other independent accredited laboratories for testing. Only after the offered products are assessed to be in compliance with the specifications required will the GLD consider awarding a contract to a particular supplier.

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. The 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, the GLD would procure such product directly. As there was a huge world demand for masks at that time while the supply was tight, if the GLD requested suppliers to provide the latest independent testing reports, samples or other assurance documents of the goods offered, the suppliers would likely sell their goods to other buyers. Therefore during that period, before direct procurement contracts for masks were awarded, the GLD could only make assessments based on the product information provided by suppliers.

The GLD will strengthen random inspections in terms of number/aspects related to masks procured through direct engagement or tendering. Where necessary and before acknowledging the acceptance of any goods, the GLD will pass the masks received to the Government Laboratory or other independent accredited laboratories for testing, or will request suppliers to submit reports by independent accredited laboratories or a letter of affirmation by manufacturers to confirm that the masks were indeed manufactured by them in order to ensure that the delivered masks meet the necessary requirements.