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HD **More questions over Leung's UGL deal**

BY Benjamin Robertson and Joyce Ng

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On the same day Chief Executive Leung Chun-ying signed a £4 million (HK$50 million) deal as part of his former **company**'s £77.5 million **sale** to listed Australian engineering **firm** UGL, a second offer arrived to **buy** the **company** that exceeded UGL's bid by about £90 million.

The sudden **sale** of Leung's former **company** DTZ to UGL shocked British investors, Stephen Webster, shareholder and ex-director of DTZ, told the South **China** Morning Post.

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"As shareholders, we felt there were a number of other options that should have been considered but obviously were not," said Webster, who left DTZ in 2009, two years before UGL's acquisition of the **firm**.

Webster told the Post yesterday that the DTZ **board** and its administrator at the time, Ernst & Young, should have explored a management buyout, corporate restructure, or a **sale** to a higher bidder. The revelation of the second bid – purportedly from **China** – is likely to raise questions about Leung's conduct in 2011 during his final days as a DTZ director, and in particular, whether he gave impartial advice on the merits of the second offer, given that he stood to gain HK$50 million if the UGL **sale** went through.

UGL eventually bought London-listed DTZ for £77.5 million in a deal that wiped out both shareholders and unsecured creditors, and required British-taxpayer-backed bank RBS to take a 30 per cent loss on a £110 million loan to the troubled real **estate** consultancy.

Leung has faced fresh calls to resign from his role as **Hong Kong**'s leader since Fairfax Media last week revealed the secret HK$50 million deal between him and UGL, which included an additional agreement for him to serve as an adviser to UGL "from time to time".

Leung has said this was a resignation arrangement for him and a standard business practice of non-competition deals. But politicians and some lawyers have said he should not have agreed to provide paid service to a **commercial** entity while serving as the city's chief executive.

According to an Ernst & Young report, now filed at Companies House in London, a "confidential bidder" had on December 2 offered to inject £48.8 million in new equity into DTZ, and to refinance existing loans in exchange for a 50.1 per cent stake in the **firm**. The deal was valued at 18 pence per share.

As a **board** member and chairman of DTZ's lucrative Asia-Pacific operations, Leung held 8.6 million shares in April 2011, according to DTZ's annual report, valuing his stake at £1.54 million if the second offer was successful.

Leung would not say if he welcomed the new suitor. In an email response to the Post, Leung's office said "the decision to sell DTZ was a decision made by DTZ **board** of directors".

Ernst & Young's report said the new offer would have taken eight weeks to complete and it was decided there was "insufficient time" given DTZ's "cash flow position" and "lack of further funding" from RBS.

The bidder was reported in the **Chinese** press to be Tianjin Innovation Financial Investment **Company**, although the Post has been unable to reach it for confirmation. The **firm** is a **Chinese** state-owned enterprise set up in 2008 to take charge of the planning and development of a new financial district in Tianjin city, according to the **company**'s website.

A 2012 report by mainland newspaper **China** Business News quoted a source as saying the **firm** "was unfairly treated" and that it could not remit money overseas at the time because of the mainland policy of foreign exchange control.

On November 24, 2011, Leung announced his resignation from DTZ's **board** to stand as a candidate in **Hong Kong**'s chief executive election. His resignation took effect on December 4.

On December 2, Leung signed an agreement with UGL stipulating that he would receive £4 million in two instalments in 2012 and last year should the UGL bid prove successful. UGL and Leung said the money was to prevent him from forming or joining a rival **firm** within two years.

The city's Independent Commission Against Corruption and the Australian Federal Police are evaluating the need to investigate the matter after receiving complaints from politicians.

Local lawmaker Kenneth Leung, who filed a complaint with Britain's Listing Authority asking it to check if DTZ and Leung had complied with listing and corporate directorship rules, said it "went against common sense" that DTZ would pass up the rival bid, which offered more money and a "better future" for its employees.

CO uncont : UGL Ltd.

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