

# The New York Times

SE Foreign Desk; SECTA  
HD Australian **Company's** Payments to **Hong Kong** Leader Raise New Questions  
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WC 1,138 words  
PD 11 October 2014  
SN The New York Times  
SC NYTF  
ED Late Edition - Final  
PG 9  
LA English  
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**HONG KONG** -- An Australian engineering **company** that paid **Hong Kong's** leader **millions** of dollars holds a long-term contract with the city's subway system, raising questions of whether the payments represented a conflict of interest for the embattled politician.

The contract held by the Australian **company**, UGL, to maintain the city's trains is one element of the extensive connections between UGL and the MTR Corporation, the **company**, majority-owned by the government, that runs the subways, according to corporate records and public statements by the companies and an interview with an MTR official.

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Those connections raise further questions about **Hong Kong's** chief executive, Leung Chun-ying, the target of large demonstrations seeking his ouster over his support for Beijing-mandated election rules that protesters say will allow **China's** Communist Party to control elections for chief executive.

UGL agreed to pay Mr. Leung \$6.4 **million** in 2011, before he was named to **lead** the **Hong Kong** government, as part of its **purchase** of a **company** in which Mr. Leung was an executive. The money was paid over two years while Mr. Leung was in office.

Since the payments were reported by an Australian newspaper this week, Mr. Leung's political opponents have demanded his impeachment, accusing him of official misconduct for accepting the money and failing to disclose it.

Mr. Leung, who has denied wrongdoing in connection with the payments, said through a spokeswoman on Friday night that he did not have "day to day" responsibility for overseeing transportation policy. The spokeswoman, Susana Kwong, did not address specific questions about whether Mr. Leung was aware of UGL's business ties with the subway agency when he accepted the payments, or any other questions about his relationship with the two companies.

UGL has a longstanding contract, worth approximately \$41.9 **million**, to provide maintenance services for 120 of MTR's train cars.

The city government, which has a 77 percent ownership in MTR, appoints its chairman and two other members of the 14-member MTR board.

May Wong, a spokeswoman for MTR, said the **company** had not awarded any new contracts to UGL since Mr. Leung took office on July 1, 2012. She said the **Hong Kong** government had no say over the **company's** awarding of contracts, which are evaluated by board members who do not know the names of the bidders.

"We run very independently," Ms. Wong said. "We look at every business individually, on their merits."

Informed of UGL's subway contract, Albert Ho, a lawyer and the former chairman of **Hong Kong's** Democratic Party, said it was a clear conflict of interest for Mr. Leung, whom he referred to by the initials of his given name.

"There is every reason for UGL to give favor to C.Y. in return for his facilitating business connections," Mr. Ho said. "His way of doing things has created lots of perception problems, conflicts of interests, that he has double loyalties -- to the people of **Hong Kong** whom he is supposed to serve, and to a corporation that has active business in **Hong Kong**."

In addition to the payments, the connections among UGL, the subway agency and Mr. Leung may come under scrutiny.

The chairman of MTR is Raymond Ch'ien, who is also a board member at UGL.

Mr. Leung's government reappointed Mr. Ch'ien in October 2012 for his fourth three-year term as MTR's chairman, a month after he became a director at UGL. He has been MTR's chairman since 2003.

Ms. Wong said MTR required its officers to disclose conflicts of interest. But, she said, Mr. Ch'ien had not signed off on any contracts with UGL since he became a director there.

The documents reviewed and experts consulted for this article did not suggest that Mr. Leung or Mr. Ch'ien had violated any laws.

Mr. Leung's spokeswoman, Ms. Kwong, appeared to distance him from Mr. Ch'ien's appointment in an email on Friday.

She said three city agencies -- Financial Services, the Treasury Bureau and the Transport and Housing Bureau -- make recommendations to the chief executive for the MTR chairman. That appointment is then formally made by the city's financial secretary.

However, David Webb, an expert on corporate governance in **Hong Kong**, said Mr. Ch'ien's relationships with MTR and UGL, as well as the government's reappointment of him to head MTR while he was on the UGL board, were improper.

"It's highly inappropriate for the government-appointed chairman of the MTR to also be sitting on the board of one of its suppliers and joint venture partners," he said. "It certainly can't be unhelpful to UGL to have one of their directors reappointed as chairman of MTR given their extensive business relationships."

Mr. Ch'ien, who is to step down from UGL's board at the end of this month, served with Mr. Leung from 1997 to 2002 on **Hong Kong's** executive council, a body of advisers to the chief executive.

In addition to his administration's appointment of Mr. Ch'ien, Mr. Leung named two other directors to MTR.

MTR and UGL also do other business together. The two companies jointly run the train system in Melbourne, along with another Australian investor. MTR and UGL also entered into a joint venture this year to build tunnels, trains and signaling systems for a rail project in Sydney.

Mr. Leung's failure to disclose the payments from UGL has been referred to **Hong Kong's** anticorruption agency for investigation. On Thursday, he issued a statement saying that the payments were agreed on before he was elected and that there was no requirement for him to disclose them.

In a second statement, his office described the payments as part of "a standard non-poach, noncompete arrangement."

Richard Leupen, UGL's chief executive, did not return a call on Friday. The **company's** spokesman also did not return repeated calls requesting comment.

The accusations over the UGL payment come as Mr. Leung has grappled with the city's deepest political crisis since Britain returned it to **Chinese** rule in 1997.

Tens of thousands of protesters have taken over parts of the city and disrupted life here for two weeks to oppose rules set by **China** on electing the chief executive. Mr. Leung's support for those rules, which protesters see as favoring the wishes of Beijing over the rights of **Hong Kong's** citizens, has made him a target of the protests.

- ART** A poster of **Hong Kong's** leader, Leung Chun-ying, who received \$6.4 **million** from a prior deal with the Australian **company** UGL. (PHOTOGRAPH BY VINCENT YU/ASSOCIATED PRESS)
- CO** mtrc : MTR Corporation Ltd

**IN** i721 : Urban/Commuter Transit | i72101 : Urban Mass Transit Systems | irailtr : Road/Rail Transport | itsp : Transportation/Shipping

**NS** gpol : Domestic Politics | gcat : Political/General News | gpir : Politics/International Relations

**RE** hkong : Hong Kong | austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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**PUB** The New York Times Company

**AN** Document NYTF000020141011eaab0004o