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HD **Leung company 'rejected better offer'**

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A secret £4 million ($7 million) payment to **Hong Kong** Chief Executive C.Y. Leung by Australian engineering **company** UGL was agreed to on the same day a rival bidder trumped UGL's offer for his **property firm** by about £100 million.

The higher bid was rejected and Sydney-based UGL bought DTZ for £77.5 million and is now selling it, with other assets, to US private equity **group**TPG Capital for about $1 billion.

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One condition of the £4 million payment to Mr Leung was that he "support the acquisition of the DTZ **group** by UGL", according to a letter outlining the agreement.

The letter doesn't mention the rival bid. But an administrators' report into DTZ after the **sale** mentioned a rival "confidential" offer that valued DTZ at about £100 million more than UGL.

The other bidder was later revealed as **China**'s state-owned Tianjin Innovation Financial Investment **Company**.

The higher bid from Tianjin was rejected by the DTZ **board**, which included Mr Leung (pictured), who ran DTZ's fast-growing **Hong Kong** and **China** business.

DTZ's creditors agreed with the decision and deemed the bid too risky because it would have taken eight weeks to complete and required shareholder approval.

Two bankers who worked on the deal confirmed they believed the offer from Tianjin was superior.

"We felt we had a better offer," said one banker who declined to be named. "It was very frustrating at the time."

Another banker said: "The seller [DTZ] had the ultimate right to decide who the winning bidder was."

Concerns about the bidding process were raised by London's Daily Telegraph in 2012.

The paper quoted a source close to the **Chinese company** saying that "DTZ sacrificed value to get the deal with UGL done".

"The **Chinese** offer was significantly better for everyone, for employees, the shareholders and the creditors," the paper said.

At this time, the secret payment from UGL to Mr Leung was not known.

A spokesman for UGL said the **company** had no first-hand knowledge of any higher offer.

"UGL negotiated and entered into the agreement with Mr Leung to protect UGL's **commercial** interests in North Asia by preventing him from competing with DTZ or employing DTZ staff for two years following UGL's acquisition of the subsidiaries of DTZ Holdings plc," UGL said in a statement.

It said the general offer to Mr Leung was made almost three weeks prior to the December 2 letter that sealed the payment, which has been referred to Hong Kong's Independent Commission Against Corruption.

The city's Department of Justice has also asked its director of public prosecutions to decide "whether any prosecution against any persons is warranted". The Australian Federal Police has been asked to investigate.

The disclosure has put further pressure on the embattled Mr Leung, who is grappling with the largest pro-democracy rallies ever seen in Hong Kong.

On Monday pro-democracy demonstrators clashed with dozens of masked men at the main protest site in the city centre as police struggled to contain the chaos.

The demonstrators are demanding China give them a greater say in elections scheduled for 2017. In an effort to pressure the government, they have blocked major roads into the city centre for the past two weeks.

They are calling on Mr Leung to resign - a demand he has repeatedly rejected.

China's most senior official in Hong Kong, Zhang Xiaoming, reaffirmed Beijing's "unswerving support" for Mr Leung during a press conference on Sunday. He said payments like the one from UGL to Mr Leung were "common business practice" and he didn't see "any big problem with it".

The 60-year-old Mr Leung signed the agreement with UGL just after announcing his intention to seek election as Hong Kong's chief executive.

At that time, he was not Beijing's first choice for the position. Mr Leung didn't disclose the £4 million payment, which was paid after he took office.

Mr Leung agreed to the secret payment in early December 2011 when UGL was rushing to complete the takeover of the London-listed DTZ.

An offer from UGL chief executive Richard Leupen dated December 2 for the agreement asked Mr Leung to sign and return it by 11pm Sydney time the same day. According to the administrator's report, compiled by accounting firmErnst & Young in London, the higher offer from the Chinese company was tabled the same day.

The administrator's report said UGL submitted a non-binding bid a month earlier on November 4. At this time, it didn't have the agreement with Mr Leung. Introductory remarks in the letter by Mr Leupen to Mr Leung indicate the pair had held a number of discussion over prior weeks.

The letter indicates the pair had talked about Mr Leung's shareholding in DTZ Japan and arrangements for him not to compete against UGL.

But Mr Leung did not receive a final offer from UGL until just hours before its bid for DTZ was due.

As part of his "additional commitments", Mr Leung agreed to "support the acquisition of DTZ Group by UGL and not make any statements (whether public or private) criticising the purchase".

DTZ struck trouble during the 2008 global financial crisis after an acquisition spree left it with £100 million of debt which it was struggling to service due to weak trading.

Just prior to the UGL purchase, DTZ was placed into administration.

In response to questions from Fairfax Media, a spokesman for Mr Leung said: "The decision to sell DTZ was a decision made by DTZ board of directors. DTZ played a significant role in initiating and negotiating the terms of the 'resignation' agreement that Mr Leung entered with UGL."

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