

SE news
HD Payment to chief a Hong Kong twist; \$6.4 million from firm involved with city raises new questions for Leung
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WC 1,036 words
PD 11 October 2014
SN International New York Times
SC INHT
PG 3
LA English
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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 payment 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 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, who is already facing street demonstrations demanding his ouster over his support for Beijing-mandated election rules, which protesters say will allow China's Communist Party to control elections for chief executive.

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

Since the payments were reported by a Sydney, Australia, newspaper this past 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, did not reply to an emailed list of questions on Friday about his relationship with UGL and the subway company.

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

The city government appoints the chairman and two other members of the 14-member MTR board.

May Wong, a spokeswoman for MTR, said that the company had not awarded any new contracts for UGL since Mr. Leung took office on July 1, 2012. She said the Hong Kong government has no say over the company's awarding of contracts, which are evaluated by the board without its knowing the names of the bidders.

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

Informed about 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 that MTR requires its officers to disclose conflicts of interest. But, she said, Mr. Chi'en has 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. Chi'en had violated any laws.

However, David Webb, an expert on corporate governance in **Hong Kong**, said that Mr. Chi'en'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. Chi'en, Mr. Leung named two other directors to MTR, a **company** 77 percent owned by **Hong Kong**'s government.

MTR and UGL also do other business together. The two companies jointly run Melbourne's train system 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.

Richard Leupen, UGL's chief executive, did not return a call made to his mobile phone after normal working hours 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** to elect 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.

On Thursday, Mr. Leung addressed the UGL payments first in a statement to the Sydney Morning Herald, 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.”

CO mtrc : MTR Corporation Ltd

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

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PUB International Herald Tribune

AN Document INHT000020141010eaab0006p