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HD **Leung sought an extra £3m from UGL**

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When CY Leung parachuted out of his insolvent property business to make his run for Hong Kong's top job, he tried to extract an additional £3 million from Australian firm UGL, emails obtained by Fairfax show.

In return for co-operating on the £77 million sale of DTZ, the real estate advisory empire he'd helped to build, Mr Leung wanted the Australians to not only underwrite £1.5 million in bonuses, and pay £4 million in business wealth that had been wiped out, but also to compensate him for £3 million that he'd sunk in the firm's loss-making franchise in Japan over the previous five years.

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"It was like 'Here's all my losing lottery tickets, could you buy them?'," says one party to those negotiations in November 2011.

But it was not the audacity of Mr Leung's claim so much as the manner in which he made it that illuminates his political predicament today, as he battles mass pro-democracy protests across the city and widespread calls for him to resign as the city's Chief Executive.

Back in 2011 he'd bunkered down somewhere in Hong Kong or Shanghai and refused to answer emails, get on a plane, or pick up the phone.

"He'd often go walkabout," says one of the players in those negotiations. "Most times he wouldn't respond. So we'd send Tim to find him, or RBS," said the source, referring to DTZ chairman Tim Melville-Ross and DTZ's main creditor, the Royal Bank of Scotland.

Repeatedly, UGL chief executive Richard Leupen prepared himself to walk away.

"I do have a busy and heavy schedule and a business to run and no time for negotiating games," Mr Leupen told Mr Melville-Ross in an email dated November 26, 2011, obtained by Fairfax. "[Mr Leung] communicates in one-liners and gives us nothing to think we are going to reach agreement," Mr Leupen said.

Then, like now, Mr Leung made his demands known via intermediaries. "Please see the attached breakdown for 3,058,565 GBP," says an email from one of his confidants to RBS dated November 24, 2011, detailing his Japan demands. "Please find attached CY's analysis of his contributions he's made to the Japanese business and which he is looking to be reimbursed as part of his co-operation for the UGL deal," said the subsequent email from RBS to another.

The emails show Mr Leung's preference for obdurate brinkmanship over negotiations, which may work sometimes in business but carries greater risks in Hong Kong's noisy and quasi-democratic politics.

There was "zero chance" of the demands of pro-democracy protesters being met, said Mr Leung in the single interview he gave to a friendly television network since the protests broke out.

Rather than admit an error of judgment in not declaring his payments from UGL after taking public office, Mr Leung told the network he'd done nothing "legally or morally wrong".

Then, like now, Mr Leung was acting to preserve the value of his greatest asset: the patronage of powerful people in mainland **China**. Business people familiar with Mr Leung say he is wily, urbane and successful. When UGL executives were circling DTZ they were told how Mr Leung had won over the Shanghai mayor, Zhu Rongji, who went on to be premier of **China**.

"When I visit **Hong Kong** in June [1990] I will pay you a visit and ask for your advice," said Zhu, according to the Wen Wei Po.

About 1994, Mr Leung resigned from his **commercial** real **estate** business, Jones Lang Wootton (now Jones Lang LaSalle) and returned to Shanghai in time for the beginning of the world's greatest **commercial** construction boom. In 2005 Mr Leung rolled his thriving business into the London-listed DTZ.

By 2011 his business was by far the most successful real **estate** advisory business in **China**, with more than 7000 employees and contractors.

But by the time UGL arrived on the scene, Mr Leung's shares were worth nothing because the rest of the business beyond **China** was in dire straits. UGL knew that the value of the DTZ business hinged on **China** which, in turn, depended entirely on Mr Leung's co-operation in keeping key managers and clients in place. An extra £3 million for sunk costs in Japan, however, was a bridge too far.

Mr Leung signed the side-deal hours before the December 2 deadline, enabling the **sale** agreement to go through.

CO uncont : UGL Ltd.

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