

Legislative Council Panel on Constitutional Affairs

**The Financial Secretary's response
to some of the matters raised by Legislative Council Members at
the meeting of the Panel on Constitutional Affairs on 17 March 2003
and at the House Committee meeting on 21 March 2003**

Meeting of the Panel on Constitutional Affairs on 17 March 2003

Questions 1, 3 to 6 and 11 to 12 will be dealt with in a separate note to be provided by the Constitutional Affairs Bureau. My response to the remaining questions is as follows-

Question 2: Did the Financial Secretary (FS) tender his resignation to the Chief Executive (CE) in writing? If so, when did he do so?

Response: At around noontime on 10 March, I met with CE. I told CE that I was willing to resign if necessary. I informed CE that evening that I would tender my resignation. A resignation letter was submitted to him on 11 March. (A copy of my resignation letter is enclosed at the Annex.)

Question 7: Did any government official, including FS's Administrative Assistant and Press Secretary, know about the purchase of a private car by FS before the announcement of the increase in Motor Vehicle First Registration Tax (FRT), and point out to him that it might involve conflict of interest?

Response: On 30 January my Administrative Assistant and Press Secretary learned about my purchase of a new car. They did not raise with me the possibility of a conflict of interest or of a perception of conflict of interest, arising from the

purchase. However, it is not part of their responsibility to alert me to such a possibility.

Question 8: Did any salesman ask FS whether the FRT would be increased when the latter visited the showrooms and made enquiries about the vehicles?

Response: As I said at the meeting of the Legislative Council Panel on Constitutional Affairs on 17 March, I did not recall any car salesman asking me about whether the FRT would be increased.

Question 9: The Budget Strategy Group (BSG) discussed various items, including the proposal to increase FRT as early as 31 October 2002. Why did FS only mention that the decision to increase the FRT was made in February 2003, but not that the BSG had considered the proposal to increase the FRT in end October 2002, when he met the press regarding the incident on 9 March 2003?

Response: My statement that the decision to increase the FRT was made in February 2003 was factually correct. As I said at the meeting of the Legislative Council Panel on Constitutional Affairs on 17 March, I had no intention to conceal anything about the incident when I conducted a media stand-up on 9 March. Since I wanted to inform the public as soon as possible that I had no intention to avoid tax, I arranged the media stand-up immediately that morning. The key messages were that I had a practical need to buy a car and I had no intention to avoid tax, instead of the detailed sequence of events.

As I pointed out in my first report to CE on 10 March, I had never had the intention of defending myself using the timing argument, and I fully accepted that I should have

taken steps to avoid a perceived conflict of interest regardless of the sequence of events.

Question 10: On 14 January 2003, the BSG went through a list of 18 revenue measures/options recommended thus far and considered that some of the items, including the magnitude of increase of the FRT, should be further reviewed. Apart from the FRT, what are the other revenue items that should be further reviewed?

Response: The discussions within the Government on possible budget measures are confidential information, the disclosure of which would not be in the public interest. Potential revenue items were narrowed down to a list of 18 revenue measures/options in January 2003. In the run up to the Budget Day, some of the measures/options were changed; some were dropped altogether; and some were adopted without further changes. FRT was one of those measures where the proposed adjustments were changed before final adoption in the Budget.

Meeting of the House Committee on 21 March 2003

Questions 1, 2 and 8 will be dealt with in a separate note to be provided by the Constitutional Affairs Bureau. My response to the remaining questions is as follows-

Question 3: Why didn't FS explain in his two written reports to CE that he had not declared his interests at the Executive Council?

Response: My two written reports to CE were focused on the circumstances relating to my purchase of a new car and the deliberations on the increase in FRT. Therefore, I did not flag up the issue of declaration in my reports. In any event, CE was already aware of the situation where another

member made a declaration at the Executive Council meeting on 5 March.

Question 4: FS submitted his first written report to CE on 10 March 2003. Why was the discussion of BSG on 14 January 2003 regarding the inclusion of FRT in the proposals of tax increase not included in this report?

Response: As I pointed out in my second report to CE on 13 March, I did not recall the discussion of the BSG on 14 January until 11 March when I went through the file records with my office in greater detail. Therefore, this discussion was not reflected in the chronology of events in my first report to CE on 10 March. However, I reported this to CE verbally on 11 March, and included the same information in my second report to CE on 13 March.

Question 5: In the attachment of his first written report to CE on 10 March 2003, FS indicated that the BSG had agreed in principle on 31 October 2002 the proposal to introduce some changes to the FRT regime and rates. Why did FS only mention that the decision to increase FRT was made in February 2003, but not the decision in October 2002, when he met the press on 9 March 2003.

Response: Please see response to Question 9 arising from the meeting of the Panel on Constitutional Affairs on 17 March 2003 above.

Question 6: Did FS tender his resignation to CE in writing on the night of 10 March 2003? Could the resignation letter be made public? When did CE request FS to withdraw his resignation? When and by what means did FS withdraw his resignation?

Response: For the first two parts, please see response to Question 2 arising from the meeting of the Panel on Constitutional Affairs on 17 March 2003 above.

CE requested me to withdraw my resignation on 15 March 2003. I withdrew the resignation verbally in late afternoon of the same day.

Question 7: Why did FS not mention in his second report to CE of 13 March 2003 that he tendered his resignation formally on the night of 10 March 2003?

Response: The report submitted by me to CE on 13 March was intended to give an account of the related events. My resignation was communicated to CE separately.

10 March 2003

The Honourable Tung Chee Hwa
Chief Executive
5/F., Main Wing
Lower Albert Road
Central
Hong Kong

Dear C.H.,

Resignation

I write to tender my resignation from the office of the Financial Secretary of the Hong Kong Special Administrative Region with immediate effect.

As I have explained to you in a separate report, there has been considerable public concern about the perceived conflict of interest in my purchase of a car in January 2003. Although I have no intention whatsoever to lessen my tax liability through making the purchase shortly before the announced increase in Vehicle First Registration Tax on 5 March 2003, I should not have made the purchase so as to avoid any perceived conflict of interest. I accept that I was not in full compliance with the Code for Principal Officials under the Accountability System, particularly section 5.1 which stipulated that principal officials shall avoid putting themselves in a position where they might arouse any suspicion of dishonesty, unfairness or conflict of interest. I am deeply sorry about the negative image this has caused to the Administration. I accept responsibility for the mistake I made, and I believe that resignation is the proper course of action for me in the circumstances.

I am grateful to the Central People's Government and you for allowing me the opportunity to serve the people of Hong Kong in the capacity of

Financial Secretary. I am also grateful for the support and guidance rendered to me by you and other colleagues in Government in the past two years. I am confident that under your leadership, Hong Kong will overcome the current economic difficulties and regain its vigour soon.

Yours truly,

A handwritten signature in cursive script that reads "Antony Leung". The signature is fluid and connected, with a prominent loop at the end of the last name.

Antony Leung