

Your Ref: CB(3)/PAC/R49

10th January 2008

BY HAND

The Chairman
Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Attn: Dr. Hon Philip Wong Yu-hong

Dear Sir,

Re: Public Accounts Committee Hearing ("the Hearing")

I refer to the above and to the letter sent by Messrs. Richards Butler in association with Reed Smith LLP ("Richards Butler") acting on behalf of Mrs. Grace Lee (which was copied to me). I have read the said letter and adopt the points made by Richards Butler in relation to the Hearing (as defined in Richards Butler's letter).

For the record, I would also like to point out the following which relate to allegations made/suggested against me during the Hearing:-

1. One of the members of the PAC seemed to suggest that I was not working according to the law or that he has concerns on "*good governance*". As the PAC will know, the Tourism Commissioner is the Deputy Chairman of the Hong Kong Tourism Board ("TB") representing the government and sits on all Committee meetings. Accordingly, she would at all times be fully aware of the discussions during our meetings as well as the process for approval of the Annual Business Plan ("ABP"). The Tourism Commissioner is also the key liaison between TB and the government so that in the event she has any concerns or issues regarding the ABP, she could be in a position to bring this up before any commitment is made by TB. Further, I made a separate presentation to the Financial Secretary on the proposal of "*Discover Hong Kong Year Campaign*". The Financial Secretary fully appreciated the objectives and was aware of the deliverables of the said Campaign before he agreed to the additional funding for this "*one-off booster campaign*". As a matter of practice, every year on the question of funding, the government continued to pay the subvention to TB on a monthly basis even though the ABP and budget were still in the process of being approved.

This was an indication to us and also gave us the confidence to proceed with certain more urgent tasks defined in the ABP, especially since the Tourism Commissioner (being part of government and a designated representative of the government on the board), was at all times well aware of all the discussions and the logic behind our decisions; in particular the established process adopted by TB over the years on utilising the annual subvention. If anything was not done according to the law, the government would have raised warnings and/or put a stop to this practice long ago. My use of the word "*flexibility*" in this regard meant that our practice when entering into contracts was to allow room for changes when necessary without having to forfeit any payments made or to minimise any risk of forfeitures.

2. As far as my renewed contract is concerned, I have repeatedly stated during my evidence that the Chairman had given me in principle approval on an upgraded medical plan. This is evidenced by the notes I made after the meeting, a copy of which has been produced to the PAC. I attach another copy to this letter for ease of reference. Further, Mr. Stanley Ko has also given evidence and confirmed what I have said in my evidence. He said "在談論續約的過程之中，我的記憶是，周太和我同意她可以找一個這樣計劃。 (*During the process of discussing the renewal of the contract, my memory is that Mrs. Chow*

and I agreed that she could look for such a plan.). Being the Executive Director of TB with heavy responsibilities coupled with my poor health during my very busy period with TB, it was not at all unreasonable for me to request for a better medical plan to cover all contingencies.

- 3, On the question of when my renewed contract was signed by me, I can only say that I recall being given the original but I am now unable to recall when I actually signed it. There were lots of documents for signature on a daily basis, especially during my term at TB when Hong Kong faced one of its most difficult periods. There is a possibility that the renewed contract was overshadowed by other more important tasks I was busy with at the time. As I mentioned during my evidence I only realized that the renewed contract was not signed for sometime when I was reading through the emails in my P-file provided to me by TB specifically for this hearing.

I trust the PAC will consider the evidence fairly. In this regard, I reserve all my rights generally on the matter.

Yours faithfully,


Clara Chong

	Items	(A) Original package	(B) 5% increment of fixed pay of original package (Fixed : variable mix = 85:15)	(C) Clara's proposal for consideration
1	Total Remuneration / year excluding gratuity	\$3.3m (= compa ratio 93%)	\$3.706m (= compa ratio 104%)	\$3.925m (= compa ratio 110%)
2	- Fixed remuneration	\$3,000,000 [\$250,000 / month]	\$3,150,000 (85% fixed) [\$262,500 / month]	\$3,336,000 (85% fixed) [\$278,000 / month]
3	- Variable remuneration	\$300,000 (10% of fixed remuneration)	\$556,000 (15% variable)	\$589,000 (15% variable)
4	Gratuity / year	\$450,000 (15%)	\$472,500 (15%)	\$500,400 (15%)
5	Total package including gratuity = (1) + (4)	\$3,750,000	\$4,178,500	\$4,425,400
			B/A = +11.4%	C/A = +18%

As discussed yesterday, annual leave will increase to 30 working days, upgrade the current medical coverage scheme and change the current passage leave to cover family members and ~~abroad~~ extending to a business class return tickets to London, per annum.