

RICHARDS BUTLER

齊伯禮律師行

in association with

REED SMITH LLP

禮德律師行聯營行

BY HAND

Clerk to Public Accounts Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Attn: Ms. Miranda Hon

your ref CB(3)/PAC/R49

our ref ARS/L678-001
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3rd April 2008

Dear Madam,

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

We act on behalf of Mrs. Grace Lee and Ms. Clara Chong in respect of the above matter and refer to the following correspondence between the Public Accounts Committee ("PAC") and our clients:-

- (i) a letter from the PAC to Mrs. Lee dated 6th March 2008;
- (ii) a letter from the PAC to Ms. Chong dated 6th March 2008;
- (iii) an email from Ms. Serena Chu, Senior Council Secretary of the Legislative Council Secretariat to Mrs. Lee dated 27th March 2008; and
- (iv) an email from Ms. Serena Chu to Ms. Chong dated 27th March 2008.

(A) PAC's letters dated 6th March 2008

Having taken our clients' instructions and obtained advice from Leading Counsel, Mr. Benjamin Yu SC, we would like to point out the following in response to your letter to Mrs. Lee of 6th March 2008:-

PARTNERS:

C G Howse
D M Norman
A D Morrison
C J Williams

A K Brown
G P Winter
Denise Jong
J N Green

M R D Pepper
Nanette Kwong
Asha Sharma
Delpha Ho

D G Harrington
S J Birt
Alice Hutchens
A D Horton

K C Mok
Janet Cheung
Ivy Lai
W J G Barber

L J Li
C S K Tang
A W M Kaung
D Kan

K R Bowers
Doreen Kong
Emma Casdagli
R W K Choy

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- (1) We are surprised by your assertion that Mrs. Lee has quoted your letter of 10th December 2007 (“**your Letter**”) out of context. You have made it very clear in your Letter that the PAC was not concerned with allegations against any person and there was no question of making allegations against Mrs. Lee at the hearings. That statement by its terms was not limited to the point in time when your Letter was issued, rather, on a fair reading of the same, it clearly applied to the entire Hearing. With respect, your Letter was not in the terms you have now used nor was it restricted to the position at the time of your Letter. Your letter of 6th March 2008 to Mrs. Lee has therefore misquoted your Letter. Further and in any event, the PAC has at no point indicated or stated any change of its position.

- (2) With regard to the second paragraph on page 2 of your letter of 6th March 2008 to Mrs. Lee, we have already pointed out in our letter of 9th January 2008 that Mrs. Lee was often interrupted or stopped whilst giving evidence and it is also obvious that the Hearing gave no opportunity for the evidence to be tested by cross-examination conducted on behalf of Mrs. Lee. Our clients have been advised by Leading Counsel that the PAC is obliged to observe the rules of natural justice and has the duty to act fairly. Whilst the PAC is a standing committee of the Legislative Council, it does not follow that the PAC can ignore the rules of natural justice in conducting public hearings or performing its functions. The whole process must be conducted in a fair manner. In reminding the PAC of its duty to observe the rules of natural justice and fairness, there is no question of any attempt by Mrs. Lee to interfere with the performance of the PAC’s functions. For the avoidance of doubt, the same also applies to Ms. Chong. We suggest the PAC should take legal advice on the matter.

- (3) You will be aware that the PAC has never informed Mrs. Lee nor Ms. Chong at any stage of any allegations to be made against them or the substance of such allegations. Given that any adverse findings or comments in the PAC Report might seriously affect our clients’ reputation and legal position, in order to properly advise our clients on the necessary steps to be taken to protect their position and as a matter of fairness, we would like to request the PAC to provide the draft Report to our clients before it is released to the public. This will give our clients an opportunity to take proper advice on their positions.

In this regard, if you wish, our clients are prepared to obtain a written advice from Mr. Yu SC for your reference.

(B) Emails from Ms. Serena Chu both dated 27th March 2008

We note from Ms. Serena Chu’s two emails to our clients of 27th March 2008 that the PAC may include the following letters provided by our clients as Appendices to the PAC Report:-

letters provided by Mrs. Lee or her solicitors:-

- (a) our letter to PAC dated 9th January 2008 sent on behalf of Mrs. Lee;
- (b) Mrs. Lee's letter to the PAC dated 3rd March 2008;

letters provided by Ms. Chong:-

- (c) Ms. Chong's letter to the PAC dated 11th December 2007 (excluding the Appendices attached thereto);
- (d) Ms. Chong's letter to the PAC dated 18th December 2007;
- (e) Ms. Chong's letter to the PAC dated 10th January 2008; and
- (f) Ms. Chong's letter to the PAC dated 4th March 2008.

We would like to point out that if the PAC is minded to annex any of our clients' letters to the PAC Report, it is important that the complete and full position is shown to avoid the readers of the Report misunderstanding anything or being misled. Moreover, a full and complete position will only be fair to everyone involved. In this regard, we note the PAC has not proposed to include the following other correspondence between the PAC and our clients:-

correspondence between PAC and Mrs. Lee:-

- 1. PAC's letter to Mrs. Lee dated 30th November 2007;
- 2. Mrs. Lee's letter to the PAC dated 4th December 2007;
- 3. PAC's letter to Mrs. Lee dated 6th December 2007;
- 4. Mrs. Lee letter to the PAC dated 6th December 2007 with enclosures;
- 5. PAC's letter to Mrs. Lee dated 10th December 2007;
- 6. Mrs. Lee's letter to the PAC dated 12th December 2007 with enclosure;
- 7. PAC's letter to Mrs. Lee dated 6th March 2008;

correspondence between PAC and Ms. Chong:-

- 8. PAC's letter to Ms. Chong dated 30th November 2007;
- 9. Ms. Chong's letter to the PAC dated 4th December 2007;
- 10. PAC's letter to Ms. Chong dated 6th December 2007;
- 11. PAC's letter to Ms. Chong dated 10th December 2007;
- 12. Ms. Chong's letter to the PAC dated 12th December 2007 with enclosure;
- 13. PAC's letter to Ms. Chong dated 18th December 2007; and

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To: Clerk to Public Accounts Committee

3rd April 2008

14. PAC's letter to Ms. Chong dated 6th March 2008 with enclosure.

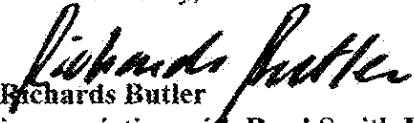
Moreover, we are of the view that this letter of 3rd April 2008 should also be included in the Appendices to the PAC Report to complete the picture.

For your ease of reference, enclosed please find copies of a complete set of all correspondence together with the enclosures between the PAC and our clients/our firm. We have removed the words "*Private and Confidential*" and our clients' address from our clients' letters. In the circumstances, if the PAC decides to include any letter, we stress the need to present the full picture and should be grateful if the PAC could include all correspondence together with the enclosures.

With regard to your request for Chinese translations, we have advised our clients that they are not obliged to provide the same, and trust that the PAC will have ample resources to have the translations prepared.

In the meantime, we reserve all our clients' rights.

Yours faithfully,


Richards Butler
in association with Reed Smith LLP
(Encl.)

***Note by Clerk, PAC:** *The complete set of all correspondence together with the enclosures not attached.*