

Chapter 3 Mr LEUNG Chin-man's applications for post-service work prior to his application for employment with New World China Land Limited

3.1 Mr LEUNG Chin-man joined the civil service in October 1966. In October 1976, he joined the Administrative Officer ("AO") grade. He had taken up a number of posts, the last two of which were D of B from August 1999 to June 2002, and PSH/D of H from July 2002 to January 2006. He proceeded on pre-retirement final leave from January 2006 to January 2007. Between September 2006 and November 2007, Mr LEUNG made four applications for post-service work, all of which were approved by SCS. The applications were for appointment with the Hong Kong Housing Society ("HKHS"), Trust Company International Pty Limited ("TCL"), Fineland Real Estate (Holdings) Company Limited ("Fineland") and PuraPharm International (Hong Kong) Limited ("PuraPharm") respectively. As only the first three organizations were related to the real estate sector, the Select Committee has focused on these three applications.

3.2 This Chapter gives an account of Mr LEUNG's applications with HKHS, TCL and Fineland and sets out the observations of the Select Committee on the applications.

Appointment by Hong Kong Housing Society

3.3 Mr LEUNG Chin-man's first application for post-service work was made on 1 September 2006 when he was still subject to the 12-month sanitization period restriction under the Control Regime. The application was related to a part-time and unpaid appointment as a member of the Supervisory Board of HKHS. HKHS is an independent and not-for-profit organization aimed at serving the needs of the Hong

Kong community in housing and related services. It provides housing through a number of schemes and as a partner of the Government. Since its inception in 1948, about 67,000 units have been built under different housing schemes including Rental Estate, Rural Public Housing, Flat-For-Sale, Sandwich Class Housing, Urban Improvement and Senior Citizen Residences. Apart from property development, the business of HKHS includes also property management, commercial leasing, housing loan schemes, and building management and maintenance. The primary role of the Supervisory Board is to set the mission and guiding principles for HKHS.

3.4 After consulting PSH/D of H whose assessment was that the appointment would not give rise to conflict of interest or negative public perception, CSB recommended approval of the application. CSB's analysis was that although HKHS was not a specified non-commercial organization and was engaged in property development, it also provided other housing-related services in collaboration with the Government to serve the community and might not have a strong "*commercial flavour per se*" compared with other business organizations. Furthermore, given the voluntary nature of Mr LEUNG's proposed appointment and in view of the assessment of PSH/D of H, CSB considered that Mr LEUNG's application warranted special consideration for shortening the 12-month sanitization period and recommended approval of the application. This was subject to the standard work restrictions and an additional restriction that Mr LEUNG should not use or disclose any classified or market sensitive information acquired while he was in government service to HKHS. The AO Grade Management concurred with this recommendation and the assessment that the proposed appointment would not constitute conflict of interest, nor give rise to negative public perception.

3.5 The Chairman of ACPE, when consulted on the application, declared interest that Mr LEUNG was his secondary schoolmate and they

had known each other since 1965. The Chairman indicated no objection to CSB's recommendation. Members of ACPE also agreed that Mr LEUNG's application could be approved without further sanitization, but should be subject to the above-stated work restrictions.

3.6 On 25 September 2006, SCS approved the application. Mr LEUNG took up the appointment but had ceased to be a member of the HKHS Supervisory Board as from 11 September 2007.

Appointment by Trust Company International Pty Limited

3.7 On 23 November 2006, Mr LEUNG made another application for post-service work. This was a part-time appointment (of 16 hours a month) as Chairman of Trust (Hong Kong) Limited with TCL. The appointment carried a remuneration of A\$50,000 per annum (subsequently revised to HK\$100,000 per annum).

3.8 At the time of Mr LEUNG's application, TCL provided financial solutions to individuals, intermediaries and corporate clients in Australia and the Asia region. Its major business activities included corporate services for institutions such as securitization, structured finance, infrastructure/property custody; funds management; services for private clients such as financial planning and retirement planning; and estates and trusts services. At that time, TCL had offices in Singapore and Hong Kong which provided independent trustee services to the growing Asian Real Estate Investment market.

3.9 As Chairman of Trust (Hong Kong) Limited, Mr LEUNG would be responsible for the promotion of TCL's brand in Hong Kong. His main duties were to: (a) assist with introduction to local companies which might be potential users of TCL's range of trustee services and which were identified as counterparts with whom TCL would like to do

business; (b) provide feedback to senior management on areas of cultural issues particularly in respect of following up a sales lead or proposal submitted by the management; (c) assist with approaching contacts where functions or marketing events might be held by Trust Management to market the Trust brand and capability; and (d) assist with high-level meetings generally in Hong Kong to promote TCL's brand in the market.

3.10 CSB requested PSH/D of H and the AO Grade Management to give their assessment of the application. Having regard to TCL's business areas in financial services, CSB also sought comments from the Permanent Secretary for Financial Services and the Treasury (Financial Services) on the application. PSH/D of H considered that the duties of the proposed appointment did not suggest any real or potential conflict of interest with Mr LEUNG's former duties as Director of Housing ("D of H"), and the AO Grade Management had no objection to the application. The Permanent Secretary for Financial Services and the Treasury (Financial Services) also advised that there did not appear to be any real or potential conflict which would arise.

3.11 CSB took the view that the nature of the proposed appointment was not related to Mr LEUNG's former service as PSH/D of H and the appointment, as advised by Mr LEUNG, was non-executive in nature. On that basis, CSB recommended approval of the application subject to the standard work restrictions. In view of TCL's business which was to provide independent trustee services to the growing Asian Real Estate Investment market, and Mr LEUNG's former senior position and his involvement in the public listing of The Link Real Estate Investment Trust ("The Link REIT")⁸, CSB recommended the additional work restrictions that Mr LEUNG:

⁸ In July 2003, HA agreed to divest of its retail and car-parking facilities through the public listing of The Link REIT.

- (a) should not use or disclose any classified or sensitive information acquired while he was in government service in the course of his appointment with TCL, and
- (b) should not represent TCL in any discussion with the Government.

3.12 As with the HKHS application, the Chairman of ACPE declared that he and Mr LEUNG were secondary schoolmates and raised no objection to CSB's recommendation. ACPE agreed that Mr LEUNG's application be approved.

3.13 On 4 January 2007, SCS approved the application with the standard and the additional work restrictions. CSB informed Mr LEUNG of the result of his application on the same date.

3.14 On 24 January 2007, Mr LEUNG informed CSB that his job title had been changed from "Chairman of Trust (Hong Kong) Limited" to "Chairman (Asia Region)" as a result of subsequent discussion between TCL and himself. Mr LEUNG advised that his duties would be the same as those of the previous title, except that the region to be covered was Asia instead of just Hong Kong, and the appointment would start from 1 February 2007.

3.15 CSB sought the views of parties concerned on the revised scope of appointment, and recommended approval as the parties consulted (including ACPE) had indicated no objection. SCS approved the revised scope of appointment on 2 February 2007, and CSB notified Mr LEUNG of the approval on the same date.

Appointment by PuraPharm International (Hong Kong) Limited

3.16 Mr LEUNG's third application for post-service work was made on 27 November 2006 for appointment as Executive Director of PuraPharm. As stated in Mr LEUNG's application, the main business activities of PuraPharm were the development, production and marketing of health and Chinese herb products in Hong Kong and the Mainland. As such businesses were not related to the real estate sector, the Select Committee has not looked into Mr LEUNG's appointment with PuraPharm.

Appointment by Fineland Real Estate (Holdings) Company Limited

3.17 On 26 November 2007, Mr LEUNG made his fourth application for post-service work, as an Independent Non-executive Director of Fineland. At the time of the application, the major business activities of the company were to develop residential properties in Guangdong Province in the Mainland; develop business and commercial properties in the Pearl River Delta region; develop service apartments in the Mainland; and explore new investment opportunities in retail and office in the Yangtze River Delta region. The company was preparing for initial public offering in Hong Kong in March 2008. As Non-Executive Director, Mr LEUNG would give independent advice on the direction of the company with a view to safeguarding the interest of the shareholders. He would also act as the chairman of the Audit Committee as well as a member of the Nominating Committee of the company. This was a part-time appointment (of about eight hours a month) and carried a remuneration of about HK\$250,000 a year.

3.18 The assessment of the Permanent Secretary for Transport and Housing (Housing)/Director of Housing ("PS(H)/D of H")⁹ was that Mr LEUNG's proposed appointment would not constitute any real or potential conflict of interest with his former government duties, nor would it give rise to any negative public perception or embarrassment to the Government. PS(H)/D of H recommended that CSB should give approval to the application.

3.19 CSB's analysis was that since Mr LEUNG had no previous dealings with the company which dealt with property development in the Mainland only, and the proposed appointment was non-executive in nature and was not directly related to his former service as PSH/D of H, the application could be approved. Nevertheless, given Mr LEUNG's former senior position in the Government and that his prospective employer was preparing for initial public offering in Hong Kong, it was considered prudent to impose the following additional work restrictions:

- (a) he should not use or disclose any classified or sensitive information acquired while he was in government service in the course of his employment with the company;
- (b) he should not represent the company in any discussion with the Government; and
- (c) he should not involve himself in the company's business that involved the real estate sector in Hong Kong.

The AO Grade Management agreed to CSB's recommendations.

⁹ Upon the reorganization of policy bureaux of the Government Secretariat in July 2007, the post of Permanent Secretary for Housing, Planning and Lands (Housing)/Director of Housing ("PSH/D of H") was re-titled as Permanent Secretary for Transport and Housing (Housing)/Director of Housing ("PS(H)/D of H").

3.20 As with Mr LEUNG's previous applications, the Chairman of ACPE declared interest as Mr LEUNG's secondary schoolmate. ACPE agreed that the application should be approved subject to the standard and the additional work restrictions.

3.21 On 4 January 2008, SCS approved the application with the standard and the additional work restrictions. On 10 January 2008, CSB informed Mr LEUNG of the approval. On 9 August 2008, Mr LEUNG informed CSB that he had resigned from his position in the company as from 1 August 2008.

Observations of the Select Committee

3.22 The Select Committee has considered the post-service work of Mr LEUNG Chin-man with HKHS, TCL and Fineland and has the following observations.

3.23 The Select Committee notes that HKHS is a non-profit-making organization whose mission is to provide housing services to the community in Hong Kong in partnership with the Government. Mr LEUNG's appointment was unpaid and CSB had imposed additional work restrictions on his job so that he could not use or disclose to HKHS any classified or market-sensitive information which he had obtained during his service in the Government. Mr LEUNG had ceased to be a member of the HKHS Supervisory Board as from 11 September 2007. The Select Committee considers that it is unlikely that Mr LEUNG's appointment as a member of the Supervisory Board of HKHS would constitute a conflict of interest with his previous duties as PSH/D of H.

3.24 The Select Committee notes that at the time of Mr LEUNG's application, TCL was an Australian company which provided financial services to clients in Australia and the Asia region including Hong Kong.

Its relationship with the Hong Kong real estate sector lay in its provision of trustee services to the growing Asian Real Estate Investment market. Mr LEUNG's appointment with TCL was part-time and non-executive in nature and carried an annual remuneration of HK\$100,000. The Select Committee notes that SCS had imposed additional work restrictions on Mr LEUNG's appointment with TCL so that he could not use or disclose any classified or sensitive information of the Government in the course of his employment with the company and could not represent the company in any discussions with the Government. The Select Committee also notes that while serving as PSH/D of H, Mr LEUNG had been involved in the listing of The Link REIT which was established by HA¹⁰ to implement the divestment of its retail and car-parking facilities. Nonetheless, the information obtained by the Select Committee in the course of its study does not suggest that TCL had dealings with HA or was involved in the listing of The Link REIT.

3.25 The Select Committee notes that at the time of Mr LEUNG's application, Fineland was a real estate developer in the Mainland. It was based in Guangzhou and engaged in the development of residential, business and commercial properties, and service apartments. Its clientele was Mainland residents. Although the company was preparing for initial public offering in Hong Kong in 2008, the listing arrangement was put on hold subsequently. Mr LEUNG's appointment with Fineland was of a part-time and non-executive nature, and carried a remuneration of about HK\$250,000 per annum. SCS had also imposed additional work restrictions on the appointment so that Mr LEUNG could not use or disclose any classified or sensitive information of the Government in the course of his appointment with the company and could not involve himself in any real estate development of the company in Hong Kong.

¹⁰ HA is a statutory body tasked to develop and implement a public housing programme, and the Housing Department acts as the executive arm of HA. The Permanent Secretary for Housing, Planning and Lands (Housing) also assumes the office of D of H to underpin the Secretary for Housing, Planning and Lands who also serves as the Chairman of HA as from 1 April 2003.

Mr LEUNG had resigned from his position in Fineland as from 1 August 2008. As in the case of TCL, the information obtained by the Select Committee in the course of its study does not suggest that HA or the Housing Department ("HD") had dealings with Fineland nor does it suggest that the company has any parent, subsidiary or associated companies which are engaged in real estate development in Hong Kong.

3.26 In addition to the observations above, the Select Committee notes that the above three post-service appointments taken up by Mr LEUNG have not aroused public concern. In the course of its study, the Select Committee does not find any issues that warrant special attention. Accordingly, the Select Committee has not made further inquiry into these three post-service appointments of Mr LEUNG.