

Chapter 4 Mr LEUNG Chin-man's application for employment with New World China Land Limited

4.1 Mr LEUNG Chin-man's fifth application for post-service work was with NWCL. This Chapter sets out the circumstances leading to his employment with NWCL and provides a brief account of the process in which the application was handled within the Government and by ACPE, the decision of SCS, and how the employment contract was subsequently terminated. It also describes the relationship between NWCL and its parent company, NWDCL.

Appointment by New World China Land Limited

Sequence of events relating to Mr LEUNG Chin-man's appointment

4.2 According to the evidence given by Mr LEUNG Chin-man, he was formally introduced by a personal friend, Mr CHUNG Kwok-cheong, to Dr Henry CHENG for the first time at a cocktail reception at the University of Hong Kong in around March 2006¹¹. He did not meet Dr CHENG again after the reception. In October 2007, he had lunch with Mr Stewart LEUNG and other senior personnel of some real estate developers. Later, Mr Stewart LEUNG rang him up and said that Dr CHENG would like to know whether he would be interested in taking up any employment. On 22 October 2007, he met Mr Stewart LEUNG to discuss whether he would be interested in joining NWCL, as

¹¹ According to Mr CHUNG Kwok-cheong's evidence, he made a donation to the University of Hong Kong in early 2006 to set up the Paul KC CHUNG Professorship in Jurisprudence under the Law Faculty. The University of Hong Kong organized a donation ceremony cum cocktail reception at the Vice-Chancellor's Residence on 30 March 2006.

Dr CHENG would like to know¹². At that meeting, Mr LEUNG Chin-man said that he was interested in joining NWCL in principle but would need to give the matter fuller consideration. However, he did not go back to Mr Stewart LEUNG or Dr CHENG after that. Neither did Mr Stewart LEUNG follow up the matter with him.

4.3 According to the evidence given by Mr Stewart LEUNG, in about November 2007, Dr Henry CHENG asked him whether he knew Mr LEUNG Chin-man as a person. Dr CHENG did not disclose the purpose of his enquiry at that time. A few weeks later, Dr CHENG asked him to ascertain whether Mr LEUNG Chin-man was interested in joining New World. Mr Stewart LEUNG then rang up Mr LEUNG Chin-man to arrange a meeting with him. During that meeting, Mr Stewart LEUNG asked Mr LEUNG Chin-man whether he was interested in joining New World. Mr LEUNG Chin-man said that he would consider the matter and would talk about it again when he came back from a trip. Mr Stewart LEUNG reported the matter to Dr CHENG. After that, he did not have further contact with Mr LEUNG Chin-man.

4.4 Mr LEUNG Chin-man told the Select Committee that, in early May 2008, Dr Henry CHENG invited him through Mr CHUNG Kwok-cheong to have lunch on 8 May 2008. During the lunch meeting, after Mr CHUNG had left early for another commitment, Dr CHENG asked Mr LEUNG whether he was interested in joining NWCL as an Executive Director, and they discussed the terms of employment and duties of the job. Dr CHENG said that all of Mr LEUNG's work would be carried out in the Mainland. He would like Mr LEUNG to formulate an overall strategy for the company and establish a procurement system to be followed in the Mainland. When Dr CHENG asked Mr LEUNG about his expected salary, Mr LEUNG said that he would like to have a

¹² At that time, Dr Henry CHENG was the Chairman and Managing Director of NWCL and Managing Director of NWDCL; Mr Stewart LEUNG was an Executive Director of NWCL, and Executive Director and the Group General Manager of NWDCL.

remuneration package of HK\$3 million to HK\$4 million inclusive of the annual salary. Mr LEUNG indicated acceptance of the offer in principle but said that he had to obtain the Government's approval before he could take up the appointment. After the lunch meeting, Dr CHENG asked his son, Mr Adrian CHENG Chi-kong, an Executive Director of NWCL, to follow up the matter with Mr LEUNG.

4.5 At the hearing on 9 May 2009, Mr LEUNG Chin-man gave evidence that he started to fill in the application form for the post-service work on 9 May 2008. He put down the date of 9 May in the application form. However, according to Mr LEUNG, he started to fill in the application form on that day, and completed and submitted it to CSB on 16 May. He put down in the application form that the job was "*Introduced by a family friend*" without giving the friend's name. Mr LEUNG told the Select Committee that the "family friend" was Mr CHUNG Kwok-cheong. He explained that as it was Mr CHUNG who had introduced him to Dr CHENG, and Dr CHENG subsequently asked him to work for NWCL, the job had arisen from Mr CHUNG. In response to further questions of the Select Committee, Mr LEUNG said that he had not asked Mr CHUNG whether he knew about the job in NWCL, nor had he discussed with Mr CHUNG whether the job suited him. As to when he thought Mr CHUNG become aware of his joining NWCL, Mr LEUNG said that he had not told Mr CHUNG about working for NWCL, and he believed that Mr CHUNG probably learnt about this through NWCL's press announcement¹³.

4.6 Mr CHUNG Kwok-cheong told the Select Committee at the hearing on 4 June 2009 that due to another commitment, he left early after the lunch with Dr Henry CHENG and Mr LEUNG Chin-man on 8 May 2008. While he was there, Dr CHENG and Mr LEUNG did not

¹³ NWCL made a press announcement on 1 August 2008 on the appointment of Mr LEUNG Chin-man as the Executive Director and Deputy Managing Director of the company (Appendix 7).

say anything about Mr LEUNG joining New World. About one to two weeks later, Mr CHUNG received a call from Mr LEUNG who told him that he was going to work for New World in the Mainland and needed to apply for the Government's approval. Mr LEUNG asked whether he could put down Mr CHUNG's name in the application form as the introducer. Mr CHUNG agreed because Mr LEUNG and Dr CHENG were introduced to each other by him. He did not know that Mr LEUNG eventually did not put down his name in the application form.

4.7 In view of the discrepancies between the evidence of Mr LEUNG Chin-man on 9 May 2009 and the evidence of Mr CHUNG Kwok-cheong on 4 June 2009 regarding when Mr CHUNG came to know of Mr LEUNG joining NWCL, the Select Committee questioned Mr LEUNG on the matter again at the hearing on 20 July 2009. Mr LEUNG said at that hearing that he probably rang up Mr CHUNG around mid May 2008 to inform him of the matter before submitting the application form. Mr LEUNG said that at the time, he told Mr CHUNG that since Mr CHUNG introduced him to Dr CHENG in early 2006, he would put down Mr CHUNG as the introducer. Mr LEUNG recalled that Mr CHUNG told him that there was no problem putting down his name. However, Mr LEUNG said to Mr CHUNG that it would not be appropriate to do so as it was a private matter; he said he would put down "personal friend" instead. Mr LEUNG admitted that during the telephone conversation, he did not state clearly to Mr CHUNG that "*he introduced the job to me*", but only mentioned to Mr CHUNG that he (Mr CHUNG) introduced that person. Neither had Mr LEUNG referred to the application form.

4.8 According to the evidence of Mr LEUNG Chin-man, he discussed the details of his scope of work in NWCL with Mr Adrian CHENG and Ms Lynda NGAN Man-ying (another Executive Director of NWCL) between 9 and 16 May 2008. He submitted his application to

CSB on 16 May 2008. The application was approved by SCS on 8 July 2008.

4.9 According to documents produced by Dr Henry CHENG to the Select Committee, Mr LEUNG Chin-man sent an email to Ms Lynda NGAN on 14 July 2008 listing the duties of his employment with NWCL. Mr LEUNG informed Ms NGAN that to facilitate the approval of his application by the Government and broadly in line with the understanding between him and Dr CHENG, he had filled in the duties listed in the email in the application form submitted to CSB. He hoped that the duties in his contract could be couched in general terms to provide flexibility in his actual work after joining NWCL.

4.10 According to Dr CHENG's evidence, he and Ms NGAN met Mr LEUNG Chin-man on 17 July 2008 to finalize the details of Mr LEUNG's job in NWCL, the scope of which included the procurement system and cost control in respect of the company's hotel business, as well as enhancement of communication among different regional offices of the company in the Mainland.

4.11 The documents produced by Dr CHENG to the Select Committee show that Mr LEUNG provided his bio data to Ms NGAN on 20 July 2008 for the preparation of a public announcement on his appointment. Mr LEUNG confirmed his acceptance of the terms of the employment set out in the draft offer letter provided by Ms NGAN, and stated to Ms NGAN that he hoped Dr CHENG would be amenable to the job title of "Executive Director and Deputy Managing Director" because it would facilitate his dealing with the regional managers and other colleagues in the company. On 22 July 2008, Ms NGAN provided through an email to Mr LEUNG the employment letter, employment contract, draft press announcement and Form B (regarding declaration and undertaking of directors to be submitted to the Stock Exchange of Hong Kong). Mr LEUNG made some amendments to the press

announcement and filled in Form B. According to the emails sent by Mr LEUNG to Ms NGAN on 13 and 22 July 2008, Mr LEUNG would meet Mr Adrian CHENG on 23 July 2008 to finalize the terms of the employment.

4.12 According to the documents produced by Dr CHENG to the Select Committee, the Executive Committee of the Board of Directors of NWCL endorsed the appointment of Mr LEUNG Chin-man on 1 August 2008. Mr LEUNG accepted the appointment and signed the employment contract on the same day. NWCL made an announcement on 1 August 2008 on the appointment of Mr LEUNG as the Executive Director and Deputy Managing Director of the company (please refer to **Appendix 7**).

4.13 Noting from the press announcement that Mr LEUNG Chin-man's job title had been changed from "Executive Director", as stated in his application form, to "Executive Director and Deputy Managing Director", CSB wrote to Mr LEUNG on 4 August 2008 for clarification. On 11 August 2008, Mr LEUNG and NWCL wrote separately to CSB and explained that the title of Deputy Managing Director was a functional title for Mr LEUNG. Both confirmed that the functional title would not alter the scope of Mr LEUNG's duties as approved by SCS.

Employment contract with New World China Land Limited

4.14 Both the draft and finalized employment contracts between Mr LEUNG Chin-man and NWCL contained a transfer clause as follows:

"The Company has the right to transfer and/or second you [Mr LEUNG Chin-man] to work part time or full time for any subsidiary or associated company of the Company or any subsidiary company of the Company's

holding company (these companies together with the Company hereinafter collectively called "the Group") or to procure your service to support any of such companies."

Nonetheless, in item 22 of his application form for the post-service work submitted to CSB, Mr LEUNG stated that he would not be involved in the business of NWCL's parent company or subsidiary companies.

4.15 The draft employment contract set out the duties of Mr LEUNG Chin-man, and included those specified in his application form forwarded to CSB and in his email sent to Ms Lynda NGAN on 14 July 2008¹⁴. However, no item of duties was specified in the finalized employment contract signed by Mr LEUNG.

Handling of Mr LEUNG Chin-man's application within the Government and by the Advisory Committee on Post-service Employment of Civil Servants

4.16 Mr LEUNG Chin-man submitted his application for appointment with NWCL to CSB on 16 May 2008. He had applied to take up a full-time appointment as Executive Director of NWCL, with a remuneration of about HK\$3 million per annum.

4.17 In his application form, Mr LEUNG provided his major duties as D of B and as PSH/D of H respectively as follows:

¹⁴ Mr LEUNG Chin-man put down four major duties of his work in NWCL in his application form. However, the draft employment contract set out five items of duties for Mr LEUNG. The additional duty was to oversee the hotel development function in China, which was related to one of the major business activities of NWCL, i.e. operation of and investment in hotels in China.

- (a) as D of B from October 1999 to June 2002
 - (i) processing and approval of building plans under the law;
 - (ii) removal of illegal building works; and
 - (iii) supervision of the operation of the Buildings Department ("BD").
- (b) as PSH/D of H from July 2002 to November 2006¹⁵
 - (i) help developing overall housing policy/strategy;
 - (ii) act as the chief executive of HA;
 - (iii) reorganize HA and HD;
 - (iv) lead the privatization of HA's commercial portfolio; and
 - (v) oversee the operation of the Estate Agents Authority.

4.18 Mr LEUNG stated in his application form that the major business activities of NWCL included the operation of and investment in hotels in China; development of real estate in China; operation of golf courses in China; and operation of holiday resorts in China. As

¹⁵ According to the information provided by the Administration, Mr LEUNG Chin-man served as PSH/D of H from July 2002 to January 2006, and he proceeded on pre-retirement final leave in January 2006 until January 2007. However, the period of his service as PSH/D of H, as put down by Mr LEUNG in his application form, was from July 2002 to November 2006.

Executive Director of NWCL, Mr LEUNG's major duties and responsibilities would include the following:

- (a) to develop design and construction modules for projects in different cities of China;
- (b) to identify ways in constructing environmentally friendly and sustainable buildings in China;
- (c) to set up a comprehensive procurement system in China;
and
- (d) to provide general support for the administration of the regional offices in China.

4.19 Mr LEUNG also stated in his application form that he would be based in a major city in China. He further stated that NWCL's parent company was NWDCL, but he would not be involved in any way in the business of the parent company.

Consultation with bureaux concerned on the application by the Civil Service Bureau

4.20 Since Mr LEUNG had served as PSH/D of H immediately before his cessation of active service and as D of B immediately prior to that, and in the light of the business nature of his prospective employer, CSB considered that the principal bureau to advise and make recommendations on Mr LEUNG's application was the Transport and Housing Bureau ("THB"), and that the Development Bureau ("DEVB") should also be invited for views. In line with the established practice, CSB sought the views of the three relevant Permanent Secretaries on 19 May 2008. CSB drew their attention to the fact that the parent company of Mr LEUNG's prospective employer was NWDCL. The

following briefly sets out how different branches of THB and DEVB, CSB as well as ACPE had handled, vetted and assessed Mr LEUNG's application. The performance of the government officials and ACPE in carrying out their duties during the vetting and assessment of Mr LEUNG's application and the Select Committee's observations in this respect will be given in Chapter 5.

Handling of application by the Housing Branch of the Transport and Housing Bureau

4.21 The officer in the Housing Branch ("HB") who assisted in handling the application was Mr David CHOW Chor-kong, the then Assistant Director (Administration). Mr CHOW considered that the application should be approved. His views and recommendations were set out in a submission sent to PS(H)/D of H, Mr Thomas CHAN Chun-yuen, through his supervisor, Deputy Director (Corporate Services) Mr LEE Tat-chi, who agreed to his recommendations. Mr Thomas CHAN was also of the view that the application should be approved.

4.22 In its reply to CSB on 5 June 2008, HB stated that it had no objection to Mr LEUNG's application and its reply was copied to the Planning and Lands Branch ("PLB") and the Works Branch ("WB") of DEVB. HB's completed assessment (Part III Assessment A of the application form) was returned to CSB on 10 June 2008. In the assessment, it was recommended that CSB should give approval to the application without any additional restrictions.

Handling of application by the Planning and Lands Branch of the Development Bureau

4.23 The memorandum from CSB enclosing Mr LEUNG's application reached the Chief Executive Officer ("CEO") (Administration), Mrs Pearl SIU NG Che-sheung, of PLB of DEVB on

19 May 2008. Mrs SIU consulted her supervisor, Principal Executive Officer ("PEO") (Administration) Ms Wilma TOONG Shui-tze, on Mr LEUNG's application. She also obtained the assistance of Senior Executive Officer (Personnel) Miss Alice CHEONG Fung-yu, and conducted research for information relevant to the application. Mrs SIU sought information from the Assistant Director/Support of BD, Mr LAM Siu-tong on BD's dealings, e.g. contractual dealings, with NWCL and its parent company NWDCL, and invited his comments on the application.

4.24 On the basis of the information gathered, Mrs SIU recommended that CSB be informed that: (a) the Branch had no objection to the application as Mr LEUNG's tenure as D of B ceased almost six years ago; and (b) according to BD, the department had no contractual dealings with NWCL or NWDCL, but there were building plans submissions for development projects (e.g. the Hunghom Peninsula project, the Tsim Sha Tsui New World redevelopment project) made under the Buildings Ordinance (Cap. 123) ("BO") by subsidiary companies of NWDCL. Mrs SIU made her recommendations to the Acting Permanent Secretary for Development (Planning and Lands) ("PS(PL)"), Mrs Susan MAK LOK Suet-ling, via Ms TOONG Shui-tze and Deputy Secretary for Development (Planning and Lands) 2, Mr Tommy YUEN Man-chung. Ms TOONG disagreed with Mrs SIU's recommendation under (a). Mr YUEN observed that Mr LEUNG's job was outside Hong Kong and he would not be involved in official dealings with any part of the Government. He therefore did not see why the Branch would have any comment on CSB's referral.

4.25 The views of Ms TOONG and Mr YUEN were accepted by Mrs Susan MAK who instructed that the words "no objection" be excluded from the reply to CSB. PLB advised CSB on 30 May 2008 that BD had no contractual dealings with NWCL or its parent company NWDCL. It also advised that there were building plans submissions for development projects (e.g. the Hunghom Peninsula project, the Tsim Sha

Tsui New World redevelopment project) made under BO by the subsidiary companies of NWDCL.

4.26 On 30 May 2008, CSB again sought the views of PLB to see whether they had any specific comments on Mr LEUNG's application. The Branch replied to CSB on the same day stating that it had no specific comment on the application.

Handling of application by the Works Branch of the Development Bureau

4.27 The officer in WB responsible for assisting in processing Mr LEUNG Chin-man's application was Mr WONG Kwai-kuen, acting PEO (Works). Upon receipt of the memorandum from CSB attaching Mr LEUNG's application, Mr WONG, with the assistance of Senior Executive Officer (Works) Personnel, Miss Sheila WONG Pui-ye, consulted colleagues in WB to ascertain if NWCL and its related companies were listed contractors of WB.

4.28 Since Mr LEUNG Chin-man had not worked in WB or the departments under its purview prior to his retirement, and WB had little or no knowledge about Mr LEUNG's responsibilities, the Branch did not consider itself in a position to comment on or object to the application. It was also of the view that it was unable to assess whether Mr LEUNG's application would constitute any real or potential conflict of interest with his former responsibilities in the Government. The Branch was, however, of the view that although the business operation of Mr LEUNG's prospective employer was outside Hong Kong, an issue of public perception might still arise given the business nature of Mr LEUNG's prospective employer and Mr LEUNG's senior position when he was in the Government and his involvement in the approval of building plans when serving as D of B.

4.29 Mr WONG made his recommendations along the above lines to the Permanent Secretary for Development (Works) ("PS(W)"), Mr MAK Chai-kwong, who agreed to the recommendations.

4.30 On 26 May 2008, WB advised CSB that NWCL and its parent company NWDCL were not listed contractors of WB. Nonetheless, NWDCL owned NWS (around 56% of the shareholding) which in turn, through some other companies, wholly owned nine companies that were listed contractors of WB and had 13 outstanding public works contracts. It also pointed out that in the light of the business nature of Mr LEUNG's prospective employer in real estate development, construction and management matters, the appointment applied for by Mr LEUNG, on account of the relevance of his former responsibilities as D of B, might have a public perception issue despite the operation of his prospective employer being outside Hong Kong.

4.31 On 17 June 2008, CSB again sought views from WB. It informed WB that HB and PLB had indicated they had no objection to the application and asked whether WB had any objection to Mr LEUNG's application. On 24 June 2008, WB advised CSB that as Mr LEUNG had not served in WB nor its departments prior to his retirement, WB was not in a position to comment on or object to the application. The Branch, however, reiterated its concern about public perception.

Handling of application by the Administrative Officer Grade Management

4.32 As Mr LEUNG Chin-man was a member of the AO grade, an assessment of the Head of the AO Grade Management was also sought on the application. The assessment was made by Mrs Sarah KWOK TAM Pui-yi, Deputy Secretary for the Civil Service 1 ("DS(CS)1"), to whom the authority for assessment from the perspective of the AO Grade Management had been delegated by Mr Andrew WONG Ho-yuen,

Permanent Secretary for the Civil Service ("PSCS"). As a representative of the AO Grade Management, Mrs KWOK advised on 25 June 2008 that based on the information provided in the application, there did not appear to be any apparent conflict between the prospective employment applied for and Mr LEUNG's former responsibilities. She therefore recommended that the application be approved.

Referral of the application to the Advisory Committee on Post-service Employment of Civil Servants by Civil Service Bureau

4.33 On the basis of the available information and the assessment made by the relevant bureaux and Head of Grade, CEO (Pensions) of CSB, Mrs Carrie WONG HO Ka-lai, recorded her preliminary views and recommendations on the application in a file minute to Mrs Sarah KWOK, via the Principal Assistant Secretary (Appointments) Mrs Sharon YIP LEE Hang-ye, for clearance for the purpose of consulting ACPE. Mrs Carrie WONG was also the secretary of ACPE.

4.34 It was stated in the file minute submitted by Mrs Carrie WONG that NWDCL was the parent company of NWCL, and that Mr LEUNG's proposed appointment with NWCL would involve overseeing the company's business in the Mainland only. The file minute relayed the views of THB, DEVB and the AO Grade Management on the application. It also contained CSB's views that Mr LEUNG had left the posts of D of B and PSH/D of H for six years and over two years respectively, that Mr LEUNG had no previous dealings or business connection with NWCL, and that he would only be overseeing NWCL's business in the Mainland. Having regard to these considerations, CSB considered that the proposed appointment would unlikely constitute problems of conflict of interest, and that approval might be given to Mr LEUNG's application without further sanitization.

4.35 However, given Mr LEUNG's former senior position in the Government and to address the public perception issue, CSB proposed to impose four additional work restrictions in addition to the standard work restrictions. These were, that Mr LEUNG:

- (a) should not involve himself in any business of NWCL that was connected with Hong Kong;
- (b) should not use or disclose any classified or sensitive information acquired while he was in government service in the course of his employment with NWCL;
- (c) should not represent NWCL in any discussion with the Government; and
- (d) for avoidance of doubt, should confine his proposed appointment to NWCL.

Handling of application by the Advisory Committee on Post-service
Employment of Civil Servants

4.36 After clearance and endorsement of the views and recommendations as stated above by Mrs Sharon YIP and Mrs Sarah KWOK, Mrs Carrie WONG prepared a draft paper based on such views and recommendations to facilitate the consideration of Mr LEUNG's application by ACPE. She forwarded the paper to the ACPE Chairman, Mr PANG Kin-kee, on 30 June 2008. Mr PANG made the declaration that Mr LEUNG was his secondary schoolmate. He advised that the application could be considered by circulation of papers, and indicated his agreement with CSB's recommendations.

4.37 Mrs Carrie WONG then included in the paper a paragraph containing the Chairman's views and declaration and circulated the paper

on 2 July 2008 to ACPE members for advice. The members were Dr Elizabeth SHING Shiu-ching, Mr James Edward THOMPSON, Ms Marina WONG Yu-pok, and Mr Simon IP Sik-on. All four members recommended that approval be given for Mr LEUNG to take up the proposed appointment with NWCL without further sanitization, but subject to the standard and the additional work restrictions.

Decision of the Secretary for the Civil Service

4.38 On 4 July 2008, after receiving the comments from ACPE, Mrs Sharon YIP submitted a file minute on Mr LEUNG's application to SCS, Miss Denise YUE Chung-ye, via Mrs Sarah KWOK and Mr Andrew WONG. The file minute contained information on the proposed appointment and the views of parties consulted. It recommended that Miss YUE approve Mr LEUNG's application to take up the appointment with NWCL as Executive Director with effect from a current date without further sanitization, but subject to the standard and the additional work restrictions. The recommendation was supported by both Mrs KWOK and Mr WONG.

4.39 Miss Denise YUE accepted the recommendation and approved the application on 8 July 2008. CSB informed Mr LEUNG Chin-man of the decision on 9 July 2008. In the approval letter, Mr LEUNG was also requested to notify his prospective employer of the terms of approval for his application.

Public register

4.40 In line with the arrangement for basic information on approved post-service work taken up by civil servants at D4 and above to be placed on a register for public inspection upon request, CSB requested Mr LEUNG Chin-man to complete and return the required information for entry onto the register. Mr LEUNG submitted the return to CSB on

30 July 2008, and the information was placed on the register on the same date. A copy of the register is in **Appendix 8**.

Subsequent development

4.41 The public announcement on 1 August 2008 by NWCL of Mr LEUNG Chin-man's appointment as an Executive Director and Deputy Managing Director of the company aroused considerable public concern and controversy. On 4 August 2008, CE, Mr Donald TSANG Yam-kuen, requested Miss Denise YUE to submit a report on the processing of Mr LEUNG's application. Miss YUE submitted her report to CE on 15 August 2008. Upon receipt of the report, CE noted that in the process of approving Mr LEUNG's application, there was no mention of Mr LEUNG's involvement in the handling of the Hunghom Peninsula development, and no analysis of the public perception of Mr LEUNG's involvement in the development, nor were these matters brought to the attention of ACPE when seeking its advice. CE, therefore, asked Miss YUE to obtain the assessment of Mr LEUNG's application from the relevant bureaux afresh, with due regard to his involvement in the Hunghom Peninsula development, and to present the relevant information to ACPE for its further advice. This was to be followed by Miss YUE's re-assessment of Mr LEUNG's application and presentation of a further report to CE.

Announcements made by the Secretary for the Civil Service and the Housing Branch of the Transport and Housing Bureau

4.42 At a media session on 15 August 2008, Miss Denise YUE expressed her sincere apologies to the public for not having considered Mr LEUNG Chin-man's involvement in the handling of the Hunghom Peninsula development and for the public concern, comments and queries which Mr LEUNG's case had caused. On CE's request for her to consult

the relevant policy bureaux on Mr LEUNG's application again and present the relevant information to ACPE for further advice, Miss YUE stressed that she would endeavour to submit the report to CE as soon as possible. HB of THB also issued a statement on the same day apologizing for not having considered Mr LEUNG's involvement in the Hunghom Peninsula development in processing his application, and undertook to render full support to CSB in preparing the re-assessment requested by CE.

Termination of appointment

4.43 On 16 August 2008, NWCL announced that the employment contract between the company and Mr LEUNG Chin-man was terminated unconditionally by mutual agreement with immediate effect. A copy of the announcement is in **Appendix 9**. A Termination Agreement between Mr LEUNG and NWCL terminating the employment contract between them unconditionally with effect from 16 August 2008 with both parties agreeing not to claim against each other in connection with the termination was approved by the Executive Committee of the Board of Directors of NWCL on 18 August 2008. Mr LEUNG also made a public response, copy in **Appendix 10**, and notified CSB of the termination on 16 August 2008.

Appointment of the Committee on Review of Post-service Outside Work for Directorate Civil Servants

4.44 In view of this development, CE announced that the re-assessment of Mr LEUNG Chin-man's application for post-service work with NWCL was no longer necessary. At the same time, he announced the setting up of an independent Committee on Review of Post-service Outside Work for Directorate Civil Servants ("the Review Committee") to review the existing policy and arrangements governing post-service work for directorate civil servants. The terms of reference

and membership of the Review Committee were announced on 30 September 2008.

Relationship between New World China Land Limited and New World Development Company Limited

4.45 The appointment of Mr LEUNG Chin-man by NWCL had aroused public controversy mainly because the parent company of NWCL is NWDCL and another subsidiary company of NWDCL (i.e. NWS) owned the developer of Hunghom Peninsula PSPS flats (i.e. FSDL), and Mr LEUNG Chin-man was involved in the disposal of Hunghom Peninsula PSPS flats when he served as PSH/D of H. The relationships among NWDCL, NWCL, NWS and FSDL are set out below.

4.46 According to the information provided in the website of NWDCL¹⁶, NWDCL was a listed company and one of the major real estate developers in Hong Kong. While NWDCL had been engaging in property business in Hong Kong since its establishment, it had become a business conglomerate in recent years with business expanded to cover the core areas of property and hotel, infrastructure and service, department stores, and direct investment and other businesses. The property and hotel business of NWDCL focused on the development of residential buildings, hotels and shopping malls in Hong Kong and the Mainland, and investment in hotels in the Mainland and Southeast Asia.

4.47 On the other hand, as shown in the above website, NWCL was also a Hong Kong listed company. It was a subsidiary of NWDCL with 70% of its shares owned by the parent company and served as the property flagship of NWDCL in the Mainland. The business of NWCL included the development of property for sale, management of investment

¹⁶ The information set out in paragraphs 4.46 to 4.48 is from the website of NWDCL on 16 September 2009.

property, and operation of resorts and hotels in the Mainland. The company had a diversified property portfolio comprising projects including residential estates, service apartments, villa, offices, shopping centres, mixed-use complexes, resorts and hotels in over 21 Mainland cities. Up to the end of December 2008, the property portfolio of NWCL comprised 37 major development projects for sale with a total gross floor area ("GFA") of 26.7 million square metres, 21 major investment properties and hotels with a total GFA of 1.71 million square metres, and six hotels.

4.48 The Chairman and Managing Director of NWCL was Dr Henry CHENG, who was also the Managing Director of NWDCL and the Chairman of another subsidiary company of NWDCL, NWS. Mr Stewart LEUNG was an Executive Director of NWCL, as well as an Executive Director and the Group General Manager of NWDCL. NWS was NWDCL's infrastructure and service flagship in Hong Kong and the Mainland. NWS owned 50% of the shareholding in FSDL, the developer of the Hunghom Peninsula PSPS project. In short, NWDCL was the parent company of NWCL and also an "indirect shareholder" of FSDL.