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Executives quit despite CY Leung's secret multi-million dollar deal

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Two of the three top managers in the DTZ property services empire left the business just weeks after the man who built it, Hong Kong's Chief Executive, CY Leung, signed a £4 million agreement promising to retain their services.

Mr Leung signed his lucrative side-agreement with the Australian firm that bought his insolvent business, UGL, late in 2011 when he launched his successful run for Chief Executive.

Fairfax Media's revelations about the agreement has attracted blanket coverage in Hong Kong, where Mr Leung was already under pressure from pro-democracy protesters to resign.

The contract says a portion of Mr Leung's payments were to be reduced by 5 per cent for each nominated manager who left UGL and joined a competing business.

The second and third names on the 20-person list are managers David Watt and Alan Wong, according to a previously unseen schedule.

Mr Watt and Mr Wong were so valuable to the business that Mr Leung gave them special mentions when he announced that he would leave the company and run for office.

"In ... David Watt and Alan Wong, DTZ's operations in the Asia Pacific region have an exceptional executive management team and I have every confidence that they will continue to lead the business to further success," said Mr Leung in November 2011, while also highlighting a third manager, Edmund Cheung, who stayed with the business.

Fairfax can now confirm that Mr Leung received his £4 million pay-out in full, according to sources familiar with the arrangement.

The payments were made in two equal instalments in December 2012 and 2013, after Mr Leung had become the city's top official, and no discounts were applied even though Mr Watt and Mr Wong left DTZ to join competing businesses.

A spokesman for UGL yesterday said it would not seek recovery of payments made to Mr Leung because the two managers were made redundant under a special global restructure program, which vitiated the discount clause.

The company did not say how Mr Watt and Mr Wong had gone from being seen as vital to redundant in a matter of weeks.

Other documents seen by Fairfax, however, paint a more complete picture of how the side-deal was put in place. Those documents show the agreement was negotiated in full knowledge of all key parties, despite previous statements to the contrary.

It is clear from emails sent in the weeks leading up to the December 2, 2011 agreement that the terms that Mr Leung secured from UGL were substantially the same as he had negotiated but not completed under the previous management, DTZ.

Those parties include the primary creditor and vendor in the sale of DTZ, the Royal Bank of Scotland, and the administrators, Ernst & Young, and also the DTZ chairman, Tim Melville-Ross.The emails appear to show Mr Melville-Ross was leading negotiations with Mr Leung.

"You will gather from my earlier email that I am 'on the case' with CY, and making progress," said Mr Melville-Ross in an email to UGL's chief executive, Richard Leupen, dated November 20, 2011.

Earlier, however, Mr Melville-Ross had told Fairfax that he had been unaware of the arrangements.

And a spokeswoman for RBS, Linda Harper, had told Hong Kong media: "I can confirm that RBS was not party to these negotiations nor were we aware of the amount or terms of the agreement".

While those parties did not see the final agreement, the emails appear to contradict their earlier statements that suggested they had been left in the dark.

This story was found at: ***http://www.smh.com.au/business/world-business/executives-quit-despite-cy-leungs-secret-multimillion-dollar-deal-20141014-1161vi.html***