

**Commission of Inquiry into the Diaphragm Wall and Platform Slab Construction  
Works at the Hung Hom Station Extension under the Shatin to Central Link Project**

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**SECOND WITNESS STATEMENT OF KARL SPEED**

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I, KARL SPEED, of 39/F Sun Hung Kai Centre, 30 Harbour Road, Hong Kong, will say as follows:

1. I joined Leighton Contractors (Asia) Limited (“**Leighton**”) in November 2005.
2. I became the General Manager of Leighton in April 2017 and continue to hold that position.
3. Unless otherwise stated, the facts stated herein are within my personal knowledge and are true. Where the facts and matters stated herein are not within my own knowledge, they are based on the stated sources and are true to the best of my knowledge, information and belief.
4. This Inquiry concerns the Hung Hom Station Extension contract (Contract SCL 1112) (the “**Project**”) under the Shatin-Central rail link project, which Leighton is the main contractor. While I was not involved in the day-to-day running of the Project, my other Leighton colleagues would discuss or report on the Project in regular senior management meetings since I became the General Manager in April 2017.

**Termination of China Tech’s subcontract at the Project in September 2017**

5. China Technology Corporation Limited (“**China Tech**”) was Leighton’s subcontractor for the formwork and concreting on the East West Line platform slab (“**EWL Slab**”) and North South Line platform slab (“**NSL Slab**”) at the Project. China Tech is managed and operated by Jason Poon Chuk Hung (“**Jason Poon**”), whom I understand is the director of the company.
6. Leighton was disappointed with China Tech’s unsatisfactory performance on the Project. In particular, China Tech failed to complete the required works on or near schedule but still continued to demand large amounts of money from Leighton.

7. On 15 September 2017, I received a phone call from Anthony Zervaas, Leighton's Operations Manager, who said that he would like us to have a meeting with Jason Poon to discuss the mutual agreement to end China Tech's subcontract.
8. At that time, a joint venture between China Tech and FEWA (the "**China Tech JV**") was a subcontractor at the passenger terminal building which Leighton is constructing at Liantang (the "**Liantang Project**"). The China Tech JV was also not performing particularly well on the Liantang Project. Anthony Zervaas and I were concerned that Leighton may have problems with the China Tech JV on the Liantang Project if we did not conclude China Tech's subcontract on the Project in an amicable way.
9. At that time, Leighton wanted to continue its commercial relationship with China Tech in the hope that the China Tech JV would improve its performance on the Liantang Project. Generally, Leighton is always reluctant to terminate its contracts with suppliers or subcontractors, especially on bad terms or in circumstances which would lead to a dispute.
10. The meeting with Anthony Zervaas and Jason Poon took place in the afternoon of 15 September 2017. It was a short meeting which lasted for approximately 10 to 15 minutes. Anthony Zervaas and Jason Poon met first and discussed the terms of termination agreement, including the amount of the termination payment, before I joined the meeting. By the time that I joined, Anthony Zervaas had already agreed terms with Jason Poon. At this meeting, I told Jason Poon that I wanted the China Tech JV to perform well at the Liantang Project. Jason Poon said Leighton had blacklisted him from winning new work. I said that China Tech had not been blacklisted but the China Tech JV needed to perform at the Liantang Project. I told him to focus on the Liantang Project and do a good job. I said that if things went well on the Liantang Project, we would look to work together in the future. I believe we left the meeting on fairly good terms.
11. At our meeting, Jason Poon did not make any complaints or allegations regarding the threaded ends being cut off reinforcement bars, or any other alleged malpractice, at the Project.

12. Following our meeting with Jason Poon, the parties signed a “final account” agreement to mutually conclude China Tech’s subcontract and a confidentiality agreement, (which are referred to as the “**Confidential Agreement**” in my first witness statement) (as produced and marked Exhibit “KS-1”). It was important for Leighton to enter into a confidentiality agreement with China Tech as Leighton has many contracts with suppliers and subcontractors in Hong Kong, and Leighton did not want other subcontractors to know about the terms of this Confidential Agreement.

#### **Termination of the China Tech JV’s subcontract on the Liantang Project**

13. Unfortunately, the China Tech JV’s performance on the Liantang Project did not improve. This resulted in Leighton having to find other subcontractors to complete the work which China Tech was required to do.

14. The lack of progress being made by the China Tech JV became a major issue as the works were falling behind schedule. At that time, Leighton’s team on the Liantang Project recommended that Leighton negotiated with Jason Poon to agree to the mutual termination of the subcontract. I was not directly involved in the negotiations but I recall that at some stage Leighton and Jason Poon came close to an agreement but Jason Poon changed his goalpost again.

15. Unfortunately, after rounds of negotiations, Leighton could not reach an agreement with Jason Poon. The project team felt that Jason Poon was being extremely unreasonable and it was not going to be productive to continue the negotiations. As a result, the project team concluded that our only option was to terminate the subcontract unilaterally. Thereafter, Leighton formally terminated the subcontract with the China Tech JV.

Dated the 14<sup>th</sup> day of September 2018.

Signed:                     Karl Speed                    

Karl Speed