



New Hong Kong Tunnel Company Limited

The Administration Building, Cha Kwo Ling East, Kowloon, Hong Kong.
P. O. Box No. 68032, Kowloon East Post Office.

Your ref.: CB1/PL/TP

21 April 2005

By Fax
(Fax No.: 2121-0420)

Mr. Andy Lau
Clerk to Panel
Panel on Transport
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Mr. Lau,

**Panel on Transport
Meeting on 22 April 2005**

We refer to your letter of 21 April 2005 to the Secretary for the Environment, Transport and Works regarding a letter from Dr. So, Raymond Wai-man concerning the method of calculation of the internal rate of return for the Company.

It appears that Dr. So has not taken into account the time value of money in calculating the internal rate of return of the project and that his calculation of the internal rate of return is not based on the cashflows to investors over the franchise period. Our calculation has been examined and confirmed correct by each parties' respective financial experts before it was presented to the independent arbitrators. Therefore, we can assure the Panel that the reported figures in the Arbitration Award are correctly calculated.

Yours sincerely,
NEW HONG KONG TUNNEL CO. LTD.

Becky Fung
Project Manager

c.c. Hon. LAU Kong-wah, JP (Chairman)
Secretary for Financial Services and the Treasury
Secretary for the Environment, Transport and Works (Attn: Miss Chelsea WONG)
Secretary for the Environment, Transport and Works (Attn: Mr. Clement LAU)