

CONFIDENTIAL

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cc: John TSANG/HPLB/HKSARG@HPLB
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Subject: CONFIDENTIAL: KIL 11076, Disposal of PSPS Flats
File Ref.:

Urgent Return Receipt

I refer to Mabel Chan's 8.4.03 e-mail timed at 10:33 to Patrick Lau, cc others. Before I make any new moves with New World, some clarification of the situation appears necessary, especially given the time that has elapsed since the 31.3.03 SDM.

2. In my 25.3.03 memo to SHPL attn Messrs Thomas Tso and C M Leung, I explained our negotiations with New World were not going at all well and recommended halting them and exploring alternatives. I followed that up with my 1.4.03 memo to SHPL attn Mr C M Leung which identified the areas of disagreement with New World and provided a breakdown of our latest figure and New World's figure. In my 7.4.03 memo to SHPL attn Mr W S Tong, I explained that this breakdown was to cover the point made in Mabel Chan's 27.3.03 e-mail to John Tsang etc. This also covers the request contained in the last paragraph of Mabel Chan's 8.4.03 e-mail.

3. To expand a little, I have to assume that the \$2.0B profit figure quoted to SHPL by Stuart Leung is Leung saying that since LandsD's view is that New World can afford to pay \$2.0B (we actually put \$1.95B to him) as a premium to allow them to sell the flats in the open market, if Government were to sell the flats itself it would reap that sum as profit. There is no other interpretation I can put on Leung's statement. The breakdown with my 1.4.03 memo is of a lower premium sum which we have not yet put to Leung but the analysis is still valid - it, together with the memo, identifies the areas of disagreement, by far the main one being the estimated price the flats will fetch in the open market.

4. Please advise the instructions to LandsD to the next steps.

Ends

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