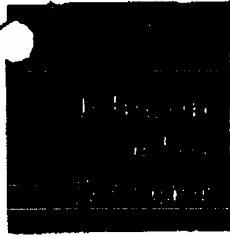


24-MAR-2005 16:02 FROM LANDS DEPT LACO(PARD) TO 21160859



孖士打律師行

File with AD/CLK

By Fax (2845 1017) and by Post

Our Ref: AFK/S6/04/179527/1

The Director of Lands
Legal Advisory and Conveyancing Office
Lands Department
20th Floor, North Point Government
Offices
333 Java Road
North Point
Hong Kong

(62)

Your Ref: LACO 11/316/2002 SF4

Direct Tel: 2843 4214

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Date: 24th March 2005

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Dear Sir,

Re: Kowloon Inland Lot No. 11076; Hunghom Peninsula

We act on behalf of First Star Development Limited and we have instructions to reply to your letter dated 11th March 2005 addressed to Messrs. Cheung, Chan & Chung.

In your letter, you stated that:-

1. Any deviation from the Master Layout Plan and/or the Approved Landscaping Proposals would require a modification to the Conditions of Grant;
2. Because the original Plan includes a Typical Floor Plan which shows the internal and external dimensions of residential units, the combining of one or more residential units into one unit would result in a non-compliance with the Typical Floor Plan necessitating a lease modification;
3. Because the original Plan contains plans from the first to the seventh floors in the Development and these plans also show internal and external walls for flats, any deviation from them would require a lease modification;
4. Should our client wish to effect any deviation from the original Plan or the Approved Landscaping Proposals, an application for lease modification should be made to the DLO/KW and it would be a condition of Government agreeing to a modification that premium is paid for any increase in value on account of the modification.

Our client has taken advice from leading London Counsel and has been advised that:-

Other offices - Bangkok Beijing Hanoi Ho Chi Minh City Shanghai

Partners: R.S.Y. Lynn • D.H. Cheung • R.R. Au • J.S.D. Cheong • S.T. Wong • Y.M. Lo • S.F.R. Cheung • L.S.W. Chung • N.D. Hingorani • A.T. Ip • J.K. Yu • E. Yau • K.L. Mo • J.W. Macmillan • M.H. Lee
 • H.C. Tang • R.R. Yu • A.C. Hingorani • T.K. Goh • J.C. Ho • S.M. Yu • K.K. Wong • J.S. Ng • T.S. Ho • E.R. Owen • S. Miller • D.J. Smith • J.C. Lewis • D.A. She • S.V.C. Lam • K.C. Wong • D.A.W. Akers
 • R.J. Sweet • S.M. Di • C.Y.M. Chan • J.W. O'Riordan • P.D. Butler • A.S.K. Yip • S.A.P. Chin • A.P. MacGeech • R.L. Smith • M.A. Babinhan • J.S. Chin • N.H. Farrell • M. Francis • J.H. Yau • J.G. O. McBride
 • W.R. Armit • A.S.R. Yim • J.C.Y. Mok • W.Y. Chang • J.P. Madden • S.D. Nguyen • T.P. Uydam • M.J. Rahani • K.W. Chiu • T.H. Tam • S.B. Wong • R.Yan • S. B. Graham • Hing M.T. So • Harold K.O. Loong
 • Consultants: R.J. Ford • J.A. Payne • A.K.C. Kan • D.L. Bradshaw • R.C.Y. Lee • J.J. Chapman • A.J. Smith • D.A. Young • Registered Foreign Lawyer: T.M. Song (PRC) *Not ordinarily resident in Hong Kong

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1. There is no obligation on the part of our client to conform to the original Plan, so far as it prescribes the floor efficiency ratios or the number, size or layout of individual units. This is because the Modification Letter of 26th February 2004 deleted provisions relating to the design requirements for low income housing, including the technical schedules, the floor area bands in Special Condition 6(c) and the efficiency ratio for each floor imposed by Special Condition 6(d);
2. The aforesaid deletion by the Modification Letter is not consistent with there being any subsisting right in the Director to insist on the very same matters by virtue of their inclusion in the Master Layout Plan. The buildings having been erected at the time of the Modification Letter, the aforesaid deletion must have been intended to modify the Developer's obligations on their subsequent alteration or replacement.

Having regard to leading Counsel's advice, it is our client's position that they are entitled, as of right, to proceed to upgrade the apartments in the existing buildings, by altering the number of units and the internal partitioning. Our client does not agree that the combining of one or more residential units into one unit, or any alteration to internal or external walls for flats, would require a lease modification.

Our client requests you to reconsider Government's position and advise our client, within the next fourteen days, as to whether or not you agree with our client's position. In the event that you are to insist on your position regarding lease modification and premium, then our client may have no alternative but to take out an application to the court for a declaration regarding our client's rights.

Yours faithfully,



Johnson Stokes & Master

[RA/JFK/B404/L]/mc]