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YOUR REF

DATE 9<sup>th</sup> January 2004

OUR REF PC/LC/37000/03

PLEASE REPLY TO Mr. Leo Cheng

By Post & By Fax: 2845 1017 (05 pages)

Lands Department  
Legal Advisory and Conveyancing Office  
20/F., North Point Government Offices  
333 Java Road, North Point  
HONG KONG

Subject to Contract and Negotiation  
and without prejudice

**URGENT**

Attn.: Mr. A. L. Robertson. JP

Dear Sirs,

Re : Kowloon Inland Lot No. 11076 – Hunghom Peninsula  
- Proposed Lease Modification

We refer to:-

- (i) your letter dated 30<sup>th</sup> December 2003;
  - (ii) Department of Justice's letter to our firm dated 12<sup>th</sup> November 2003;
  - (iii) Lands Department's letter dated 7<sup>th</sup> February 2003 to First Star Development Limited enclosing the draft modification letter; and
  - (iv) First Star Development Limited's letter dated 20<sup>th</sup> February 2003 to Lands Department
- all on the captioned matter.

.../2.

**PARTNERS:**

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SC(36)(k)(i) and SC(36)(l)(ii)

According to the draft modification letter, SC(36)(k)(i) shall be deleted and our client consider that it shall remain to be so. Please refer to Paragraph (1)(A) of the draft modification letter. Therefore, the amendment to SC(36)(k)(i) as proposed by your goodselves in your letter of 30<sup>th</sup> December 2003 appears to be irrelevant. In its stead, amendment should be made to SC(36)(l)(ii) to reflect the parties' consensus that "the Purchaser shall be allowed to dispose of the Residential Parking Spaces freely 9 months after the date of the first assignment of a residential flat in the building or buildings erected or to be erected on the lot".

Our client's proposed wordings of the revised SC(36)(l)(ii) are:

*"During a period of nine months from the date of the first assignment of a residential flat in the building or buildings erected or to be erected on the lot, no Residential Parking Space shall be assigned except*

- (I) together with undivided shares in the lot giving the right of exclusive use and possession of a residential flat or flats in the building or buildings erected or to be erected on the lot; or*
- (II) to a person who is already the owner of undivided shares in the lot with the right of exclusive use and possession of a residential flat or flats in the building or buildings erected or to be erected on the lot."*

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SC(36)(a) and SC(36)(1)(i)

Since our client will be entitled to dispose of the Residential Parking Spaces to outsiders other than the owners of the residential flats 9 months after the date of the first assignment of a residential flat and such outsiders might not own residential flat in the building or buildings erected on the lot, they propose that the restriction of "parking of private cars belonging to the residents of the residential flats ..." in these SCs should be removed.

In this connection, the last sentence of SC(36)(a) should read:

*"... The spaces so provided shall not be used for any purpose other than for the purposes of parking of private cars licensed under the Road Traffic Ordinance and shall not be used for the storage, sale or exhibiting of motor vehicles."*

And SC(36)(1)(i) should read:

*"The Residential parking Spaces provided within the lot in accordance with sub-clause (a) of this Special Condition shall not be used for any purpose other than for the parking of private cars and shall be designated as such on the approved car park layout plan referred to in sub-clause (j) of this Special Condition."*

Our client previously made a proposal of granting the owners of residential flats a first right of refusal in the penultimate paragraph of their letter dated 20<sup>th</sup> February 2003. Please be informed the same is hereby formally withdrawn.

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Re-approval of DMC

In view of the complete change in the nature of the development, i.e. from a PSPS development to a private development, the current DMC needs to be redrafted completely and new approval has to be sought from the Director of Lands. As a term of our client's accepting the lease modification, the Director of Lands shall covenant to use his endeavour and without undue delay in processing their application for approval and in approving the new DMC.

Lands Department's letter dated 7<sup>th</sup> February 2003

Since the claim for losses and damages have not been settled and the current proceedings under HCA2761 of 2003 will continue, naturally our client cannot agree to the conditions imposed in the 2<sup>nd</sup> last paragraph on page 2 of Lands Department's letter dated 7<sup>th</sup> February 2003.

As to the cost of the Surveyor and the indemnity to the Director of Housing in respect thereto mentioned in the last paragraph on page 2 of Lands Department's letter dated 7<sup>th</sup> February, our client are agreeable to the same.

Our client's right to make further proposals on modification of the relevant lease and/or to amend the terms previously proposed is hereby expressly reserved. For the avoidance of doubt, other than the amount of the premium payable by our client, nothing contained herein or in any other correspondence (verbal or in writing) with you and/or any departments of the

.../5.



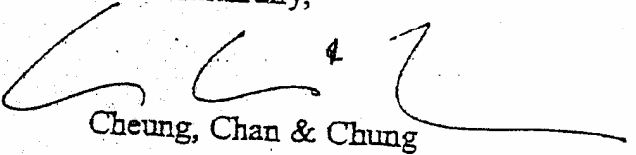
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Government on this subject-matter are to be taken as binding on our client in any way unless and until formal documentation shall have been duly executed by all the parties concerned.

Yours faithfully,



Cheung, Chan & Chung