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YOUR REF

DATE 11th February 2004

OUR REF PC/LC/37000/03

PLEASE REPLY TO Mr. Leo Cheng

By Hand & Bv Fax: 2845 1017 (03 pages)

Lands Department

Legal Advisory and Conveyancing Office

20/F., North Point Government Offices

333 Java Road, North Point,

HONG KONG

URGENT

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

Dear Sirs,

Re : Proposed Lease Modification -
Hunghom Bay Reclamation Area, Kowloon
Kowloon Inland Lot No. 11076

We refer to your letter of 3rd February 2004.

Our client does not dispute the fact that there is a binding contract created between the Government and our client on the modification of the Conditions of Sale No.12547 ("Conditions") at a premium of HK\$864 Million which is on the understanding and fundamental principle that all the provisions relating or incidental to PSPS be removed from the Conditions so that the lot in question, Kowloon Inland Lot No.11076 ("Lot") shall become a conventional private development lot.

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It is on this basis that we requested in our letter dated 31st January 2004 your consideration to the removal/deletion of further provisions from the current Conditions in addition to the proposed modifications now contained in your basic terms offers dated 17th January 2004 and 21st January 2004.

Apart from our proposed deletion/modification in our letter dated 31st January 2004, we are instructed that the following further deletion/modification are necessary to reflect the spirit of the parties to convert the Lot into a private development lot:

- (i) Apart from the proposed deletion of SC(3)(a) and SC(6)(b), our client considers that SC(3)(c) and SC(6)(a), SC(6)(c) and SC(7)(b) should also be deleted since the obligations under these SCs have all been complied with. Our client will have no objection if Government wants to replace these SCs with the usual standard design, disposition and height, landscaping, compliance with Buildings Ordinance and compliance with Town Planning Ordinance provisions which will normally be found in the conventional private development land grants. Our client would also like to draw Government's attention to the maintenance provision in GC(7) which in our client's view has offered Government adequate and necessary control over the development and redevelopment of the Lot already.
- (ii) SC(36)(a) governing the number of residential parking spaces within the Lot may be applicable to PSPS project only but not private development. A more flexible ratio shall be allowed and thus modification to this SC is required. In accordance with the new Hong

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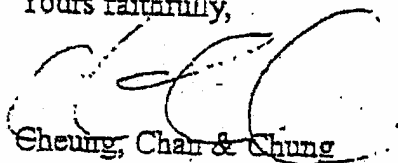
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Kong Planning Standard and Guideline, our client proposes that the ratio should be either between one space for every 4 flats and one space for every 2 flats, or it should make reference to and be dependent on the total gross floor areas of the residential flats: for example one space for every 100 square metres or part thereof of gross floor area of residential flats. Currently in the development, a total of 498 residential parking spaces have been provided in the Lot. The revised SC should allow no less than this number.

- (iii) Government please consider and re-examine whether the current SCs regarding the office accommodation for watchmen and caretakers, quarters for watchmen and caretakers, recreational facilities, "Green" features, Owners' Corporation/Owners' Committee Office are the current standard provisions for a conventional private development lot.

We sincerely hope that you will consider/reconsider our client's request as above.

Yours faithfully,



Cheung, Chan & Chung