

香港特別行政區政府
The Government of the Hong Kong Special Administrative Region

房屋及規劃地政局
香港花園道美利大廈



**Housing, Planning and Lands
Bureau**

Murray Building, Garden Road,
Hong Kong

本局檔號 Our Ref. HD/PS 9/2/1/152
來函檔號 Your Ref.

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圖文傳真 Fax No. 2761 7445

6 January 2005

Clerk to LegCo Panel on Housing
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn: Miss Odelia Leung)

Dear Miss Leung,

Legislative Council Panel on Housing

Lease Modification for Hunghom Peninsula

I provided Members, under cover of my letter of 10 December 2004, a copy of 16 letters between the Lands Department and the developer's solicitor during and subsequent to the lease modification in the period from 17 January to 7 December 2004.

The correspondence mentioned above covers the lease modification in question and reflects the outcome of the Government and the Housing Authority's mediation with the developer in December 2003. Prior to 17 January 2004, the Government had also exchanged correspondence with the developer concerning the detailed terms and conditions of lease modification and the developer's claims against the Government and the Housing Authority. As some of the correspondence was marked "without prejudice and subject to contract and negotiation" or similar, we then considered it necessary to obtain the developer's confirmation that his previous consent to disclosure also applied to such correspondence. That confirmation has now been obtained. I am hence enclosing a set of correspondence preceding 17 January 2004 to give Members additional background information.

This series begins with a letter from the developer (First Star Development Ltd.) to the Lands Department applying for lease modification of Kowloon Inland Lot No. 11076, i.e. the Hung Hom Peninsula site. This was a response to the Government's suggestion in late November 2002 subsequent to termination of the Private Sector Participation Scheme (PSPS) and Government's decision to dispose of surplus PSPS flats through negotiation with the developer for lease modification to enable sale of the flats in the open market after payment of premium. In response, the Lands Department issued a basic terms offer dated 7 February 2003. That offer provided for the premium payable to be determined. As Members have already been advised, negotiations in early 2003 on the premium payable did not result in agreement.

In December 2003, the Government re-opened negotiations with the developer through mediation, which concluded on 23 December 2003 with provisional agreement on the modification at a premium of \$864 million. A further exchange of correspondence on details of the modification, some of which touched on the developer's claims against the Government and the Housing Authority, then followed.

The correspondence mentioned above will facilitate Members to follow through the lease modification process. The correspondence made reference to a letter from the Department of Justice in November 2003. After careful consideration, the Department of Justice advised that this letter and others related to it should not be disclosed at this point in time since they may affect the Government and the Housing Authority's on-going litigation with the developer.

The two batches of correspondence provided to Members should enable Members to form a complete picture of the negotiation process in respect of the lease modification process. Members may wish to note that the terms and conditions for the lease modification remained largely the same throughout the process which started in November 2002.

Yours sincerely,

(Miss Joey LAM)
for Secretary for Housing, Planning and Lands

**Exchange of Correspondence between the Government and
Solicitor on Mediation**
Index of Documents

Date	From	To
27 Nov 2002	First Star Development Ltd.	Lands Department
7 Feb 2003	Lands Department	First Star Development Ltd.
20 Feb 2003	First Star Development Ltd.	Lands Department
30 Dec 2003	Lands Department	Developer's Solicitor
8 Jan 2004	Lands Department	Developer's Solicitor
8 Jan 2004	Developer's Solicitor	Lands Department
8 Jan 2004	Developer's Solicitor	Lands Department
9 Jan 2004	Developer's Solicitor	Lands Department
15 Jan 2004	Lands Department	Developer's Solicitor

(17)

FIRST STAR DEVELOPMENT LTD.

30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong

Private and Confidential

November 27, 2002

Mr. Herbert Y.S. Leung, JP
Lands Department
Hong Kong Government SAR
20th Floor, North Point Government Offices
333 Java Road, North Point
Hong Kong

Dear Mr. Leung

Re : Kowloon Inland Lot No.11076

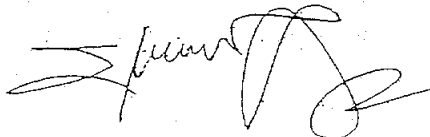
We enjoyed meeting with yourself and representatives from your Department as well as from the Housing Department earlier last week concerning the development on the captioned lot. As discussed and requested, we are writing formally to seek modifications to the General and Special Conditions of the Conditions of Sale No.12547 in respect of Kowloon Inland Lot No.11076.

As you are aware, the existing Conditions of Sale No.12547 are granted on the basis that the development on Kowloon Inland Lot No.11076 will be a Private Sector Participation Scheme development. In view of the change in the government's housing policy, the development will now become a private development, thereby making certain Special Conditions of the Conditions of Sale which are specific and catered for the Private Sector Participation Scheme no longer applicable. Also, the draft Deed of Mutual Covenant have to be amended accordingly. In these respects, and since we agreed that time is of the essence, we suggest a meeting amongst ourselves be held as soon as possible to identify all the relevant Conditions, terms and other matters that need to be amended and/or deleted.

In considering our applications for modification and assessing the premium payable, you would appreciate that we have already completed the development (both the certificate of compliance and occupation permits have been issued), that substantial improvement works have to be undertaken by us for converting the development into a private development, that the current property market is still rather inactive, and that a bulk purchase rather than individual sale and purchase is involved.

We look forward to hearing from you.

Yours sincerely,
For and on behalf of First Star Development Limited



Leung Chi Kin Stewart

cc. Mr. Marco Wu, JP

CONFIDENTIAL



地政總署
LANDS DEPARTMENT

電話 Tel: 2231 3368
圖文傳真 Fax: 2523 4973
本署檔號 Our Ref: (112) in L/M (6) in DLO/KW 103/KPT/KW
來函檔號 Your Ref:

Land Supply and Redevelopment Section
19/F North Point Government Offices
333 Java Road, North Point
Hong Kong

By Fax (2131 0668) and
By Recorded Delivery

7 February, 2003

Without Prejudice

2/KW/113/93

First Star Development Ltd.
30/F., New World Tower,
18 Queen's Road Central,
Central,
Hong Kong

(Attn.: Mr. LEUNG Chi Kin, Stewart)

Dear Sirs,

**Proposed Modification
Hung Hom Bay Reclamation Area, Kowloon
Kowloon Inland Lot No. 11076**

I refer to our previous correspondence on this matter and now write to confirm that I am prepared to recommend to the Government of the Hong Kong Special Administrative Region (hereinafter referred to as "the Government") to proceed with the proposed lease modification subject to the following basic terms :-

- (i) Premium: to be determined.
- (ii) Administrative Fee: to be determined.
- (iii) Development Conditions:
 - ◆ General Condition No. 1(b) of the Conditions of Sale No. 12547 ("the Conditions"), Special Condition Nos: (3)(b), (5), (6)(c), (6)(d), (6)(e), (24), (25), (26), (28), (29), (30), (31), (32), (33), (34), (35), (36)(k)(i), (36)(k)(ii), (42)(b), (42)(c), (42)(d), (42)(e), (42)(f), (42)(g), (52)(e), (62), (63), the Technical Schedule and Appendix A thereto shall be deemed to be deleted;

- ◆ Special Condition Nos. (3)(d)(ii), (3)(e), (6)(a), (12), (13), (14), (27), (36)(a), (36)(j) and (36)(k)(iii) of the Conditions shall be deemed to be deleted and substituted by those Special Conditions set out in the First Schedule of the draft document enclosed herewith respectively; and
- ◆ the Special Conditions set out in the Second Schedule of the draft document enclosed herewith shall be deemed to be added to the Conditions as Special Condition Nos. (36)(l), (64), (65), (66), (67), (68) and (69).

The above is a brief summary of the enclosed set of draft document for the proposed transaction ("the Document"). You are requested to note that the draft document is yet to be finalised and will be subject to any further amendments as the Government thinks fit. In addition, your request for relaxation of the restriction on alienation of residential parking spaces from the whole of the lease term to a certain period from the date of first assignment of residential flats to the flat purchasers as mentioned in your letter of 23 December 2002 has been thoroughly considered but is not acceptable. The other amendments suggested in your letter of 11 December 2002 and 23 December 2002 have been reflected in the enclosed draft document, where appropriate.

The formal basic terms offer (with premium) in respect of the proposed lease modification will also contain a condition that you agree and acknowledge that you shall have no claim whatsoever against the Government, the Director of Lands and the Hong Kong Housing Authority in respect of any loss, damages, costs, and expenses arising out of or in any way connected to the conversion of the development on the lot from PSPS to a private development as a result of the Government's current housing policy. The Government, the Director of Lands and the Hong Kong Housing Authority shall have no liability whatsoever in respect of such conversion and anything connected thereto.

Further, it will be a condition of the basic terms offer (with premium) in respect of the proposed lease modification that notwithstanding the deletion of Special Condition No. (33) from the lease conditions upon the execution of the Modification Letter giving effect to the proposed modification, you shall remain liable and shall undertake to pay to the Director of Housing all the cost of the Surveyor incurred up to the date of the Modification Letter and payable by the Director of Housing to the Surveyor pursuant to the appointment of the Surveyor made under Special Condition No. (33). You shall also indemnify the Director of Housing against all claims (if any) from the Surveyor arising out of the termination of appointment. Please liaise with the Director of Housing in relation to the settlement and payment of such cost.

Please reply in writing indicating your agreement to proceed on the basis of the above terms by 14 February 2003.

It is anticipated that the premium together with the above basic terms would be formally offered to you as soon as possible. The premium figure will be assessed on current values. To facilitate the exercise, you are invited to provide information relevant to the assessment of premium to the Chief Estate Surveyor / Valuation of this Department (attn.: Ms. Susan KU) at your earliest convenience.

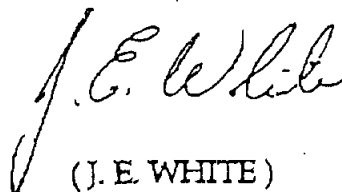
I must point out that I am not in a position to commit Government in this matter and it should be clearly understood that Government will not consider itself bound in any way by the contents of this letter. Any expenses which you may incur in respect of the proposed transaction will be, before the legal document giving effect to the proposed transaction is executed, at your own risk.

For the avoidance of doubt it is not intended that any legal obligations are to be created or arisen, whether by act of part performance or otherwise in favour of either yourselves or Government, nor (regardless of whether any correspondence may be entered into or on the subject) will Government accept any such obligations by virtue of this letter.

My letter of 16 December 2002 under ref. (64) in this series is hereby superseded.

Should you have any queries, please feel free to contact the undersigned or Mr. Albert CHAN of this Office (tel. no.: 2231 3761).

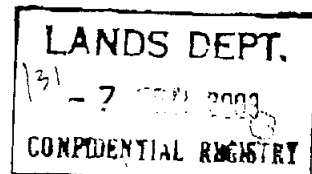
Yours faithfully,



(J. E. WHITE)
Chief Estate Surveyor (Atg.) /
Land Supply and Redevelopment Section

Encl

- b.c.c. D of H (Attn.: Mr. Macro WU & Mr. Terry LAM) }
- AD/HQ (Attn.: Mr. Herbert LEUNG) }
- AD/K (Attn.: Mr. A. K. PATON) } w/o encl.
- APS/K&Con. (Attn.: Mrs. Karen HO) }
- CES/V (Attn.: Ms. Susan KU) }



First Star Development Limited

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BY RECORDED DELIVERY

Dear Sirs,

Kowloon Inland Lot No. 11076

I have to inform you that in consideration of your payment to the Government of the Hong Kong Special Administrative Region (hereinafter referred to as "the Government") of an additional premium amounting to \$ _____ and an administrative fee of \$ _____ (the receipts whereof are hereby acknowledged), the Government has approved a modification of Conditions of Sale No. 12547 as varied or modified by a Modification Letter dated the 6th day of December 2001 and registered in the Land Registry by Memorial No. 8552750 (which said Conditions of Sale as varied or modified aforesaid are hereinafter referred to as "the Conditions"), under which the above-mentioned lot is held, in manner hereinafter appearing subject to the following conditions and to the acceptance thereof by you and the Lender in the manner stated in paragraph 2 hereof :-

- (1) With effect from the date of this letter: -
 - (A) General Condition No. 1(b) of the Conditions, Special Condition Nos. (3)(b), (5), (6)(c), (6)(d), (6)(e), (24), (25), (26), (28), (29), (30), (31), (32), (33), (34), (35), (36)(k)(i), (36)(k)(ii), (42)(b), (42)(c), (42)(d), (42)(e), (42)(f), (42)(g), (52)(e), (62), (63), the Technical Schedule and Appendix A thereto shall be deemed to be deleted;
 - (B) Special Condition Nos. (3)(d)(ii), (3)(e), (6)(a), (12), (13), (14), (27), (36)(a), (36)(j) and (36)(k)(iii) shall be deemed to be deleted and substituted by those Special Conditions set out in the First Schedule hereto respectively; and
 - (C) the Special Conditions set out in the Second Schedule hereto shall be deemed to be added to the Conditions as Special Condition Nos. (36)(l), (64), (65), (66), (67), (68) and (69).

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- (2) Except as hereby modified, all the terms and conditions contained in the Conditions shall remain in full force and effect.
- (3) You shall, if required by the Director of Lands so to do, execute a formal Agreement incorporating all the conditions herein contained in such form as he may require.
- (4) The condition of re-entry on the breach, non-observance or non-performance of any of the conditions contained in the Conditions shall extend to the breach, non-observance or non-performance of any of the foregoing conditions.

If the foregoing conditions are acceptable to you, I shall be glad if you will signify your acceptance by executing, under seal in accordance with your Articles of Association, the docket on both copies of this letter. Please also arrange for The Hongkong and Shanghai Banking Corporation Limited, the Lender under the Debenture (incorporating a First Building Mortgage and a First Floating Charge) dated the 27th day of September 2001 and registered in the Land Registry by Memorial No.8509433, to signify its acceptance by executing under seal by its lawful attorney the other docket provided on this letter. After execution, please return to me both copies of this letter together with a certified copy of a resolution of your Board of Directors whereby authority is given to the affixing of your Common Seal hereto and a certified copy of a valid Power of Attorney of the Lender whereby authority is given to its lawful attorney to the execution hereof, whereupon this letter will be registered by Memorial in the Land Registry. On completion the original of this letter will be returned to you for retention. You may attach it for record purpose to the other land documents in your possession.

Yours faithfully,

()
Chief Estate Surveyor
Land Supply and Redevelopment Section
Lands Department

We hereby agree to and accept the foregoing conditions.

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Witness : _____
(Signature and name in block letters)

(Seal of First Star Development Limited and signatures and names in block letters of its attesting officers and description of their offices)

Address : _____

Witness : _____
(Signature and name in block letters)

(Signed, sealed and delivered by the lawful attorney for and on behalf of The Hongkong and Shanghai Banking Corporation Limited)

Address : _____

The First Schedule

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(3) (d)(ii) The Purchaser shall throughout the term hereby agreed to be granted at his own expense after completion of the landscaping keep all landscaped areas within the lot well cultivated, managed and maintained to the satisfaction of the Director.

Terms in Tender Notice form part of these Conditions

(3) (e) Paragraphs 16 and 17 of the Tender Notice are expressly incorporated in and made part of these Conditions.

Building covenant

(6) (a) The Purchaser shall develop the lot by the erection thereon of a building or buildings, ancillary works or facilities complying with these Conditions and in all respects to the satisfaction of the Director and in accordance with the Schedule and the Master Layout Plans submitted in accordance with paragraph 3(d)(ii) and (iii) of the Tender Notice and the Approved Landscaping Proposals and complying and in accordance with all Ordinances, byelaws and regulations relating to building, sanitation and planning which are or may at any time be in force in Hong Kong, such building or buildings to be completed and made fit for occupation on or before the 22nd day of August 2002.

Restrictions on the use of hand-dug caissons

(12) Hand-dug caissons shall not be used except with the prior written approval of the Director.

Design of ground floor slabs

(13) All ground floor slabs of any building or buildings to be erected on the lot which are designed and intended for the use referred to in Special Condition No.(7)(a) hereof shall be designed and constructed as suspended ground floor slabs supported on structural elements of the said building or buildings provided that the ground floor slabs within such building or buildings intended for the parking of private vehicles or goods vehicles or service vehicles need not be suspended as aforesaid but their design shall be subject to the prior written approval of and their construction shall be to the satisfaction of the Director.

Estate Management Office, Owners' Committee Office and Contractors Office

(14) The Purchaser shall at his own expense and to the satisfaction of the Director provide within the lot one Owners' Committee Office (hereinafter referred to as "the Owners' Committee Office") having a gross floor area of not less than 38 square metres and not more than 42 square metres; and Estate Management Office (hereinafter referred to as "the Estate Management Office") having a gross floor area not less than 140 square metres and not exceeding 170 square metres; and a combined office for the cleansing contractor and the maintenance contractor (hereinafter referred to as "the Contractors Office") having a gross floor area not less than 30

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square metres and not exceeding 35 square metres which offices shall serve the whole of the development on the lot provided that:

- (a) the Owners' Committee Office shall not be used for any purpose other than for the purposes of meetings and administrative work of the Owners' Committee or the Owners' Corporation formed or to be formed in respect of the lot and the buildings erected or to be erected thereon; the Estate Management Office shall not be used for any purpose other than for the purposes of management of the building or buildings and other facilities erected or to be erected on the lot; and the Contractors Office shall not be used for any purpose other than for the purposes of maintenance and cleansing of the building or buildings and other facilities erected or to be erected on the lot; and
- (b) the Owners' Committee Office, the Estate Management Office and the Contractors Office shall form part of the Common Areas referred to in Special Condition No.(67)(a)(v) hereof.

The area so provided for the Owners' Committee Office, the Estate Management Office and the Contractors Office will not be taken into account for the purpose of calculating the maximum total gross floor area stipulated in Special Condition Nos.(11)(b)(i) and (11)(b)(ii) hereof.

Restriction on alienation
before compliance

(27) Prior to compliance with these Conditions in all respects to the satisfaction of the Director the Purchaser shall not except with the prior written consent of the Director and in conformity with any conditions imposed by him (including the payment of such fees as may be required by him):

- (a) assign, underlet or part with possession of or otherwise dispose of the lot or any part thereof or any interest therein or any building or part of any building thereon (whether by way of direct or indirect reservation, the grant of any right of first refusal, option or power of attorney, or any other method, arrangement or document of any description) or enter into any agreement so to do;
- (b) solicit or accept, whether directly or indirectly or through a solicitor, agent, contractor or trustee or through a company in which the Purchaser or its nominee is directly or indirectly the owner of shares or which is the owner of shares in the

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Purchaser or otherwise, any money, money's worth or other valuable consideration of any description pursuant to any transaction, present or future, conditional or unconditional whereby the lot or any part thereof or any interest therein or any building or part of any building thereon is or may be sold, assigned, underlet or otherwise disposed of or affected, or enter into any agreement so to do; or

- (c) mortgage or charge the lot or any part thereof or any interest therein except for the purpose of the development thereof in accordance with these Conditions and then only by way of a building mortgage, it being agreed that for this purpose a building mortgage shall be one:
- (i) whereby the lot is mortgaged or charged in favour of a licensed bank or a registered deposit-taking company authorized under section 16 of the Banking Ordinance to secure monies (and interest thereon) advanced or to be advanced to the Purchaser for the purpose only of developing the lot in accordance with these Conditions and for the payment of legal and other professional fees in connection with such development and the mortgage (provided that such fees do not, in the aggregate, exceed 5% of the total amount secured by the mortgage), and for no other purpose;
 - (ii) under which such advances (in the case of work done) are to be made to the Purchaser only in amounts to be certified from time to time by the Authorized Person (appointed by the Purchaser under the Buildings Ordinance for the development of the lot) as having been incurred by the Purchaser for the development of the lot; and
 - (iii) under which the mortgagee is obliged to release any share or interest in the lot from the mortgage unconditionally upon receipt of a sum representing the total purchase price under an agreement for sale and purchase approved by the Director in respect of that share or interest in the lot.

Residential Parking Spaces

(36) (a)

Space shall be provided within the lot to the

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satisfaction of the Director for the parking of private cars at the rate of not more than one vehicle space for every five residential flats or part thereof and not less than one vehicle space for every seven residential flats or part thereof in the building or buildings erected or to be erected on the lot (which parking spaces are hereinafter referred to as "the Residential Parking Spaces"). Each space shall have a minimum measurement of 2.5 metres x 5.0 metres with a minimum headroom of 2.4 metres. 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 belonging to the residents of the building or buildings erected or to be erected on the lot and their bona fide visitors or invitees and in particular the said spaces shall not be used for the storage, sale or exhibiting of motor vehicles.

Deposit of car parking layout
plan

(36) (j) A plan approved by the Director indicating the layout of all the manoeuvring, parking, loading and unloading spaces provided within the lot in accordance with sub-clauses (a), (b), (c), (d), (e), (f), (g) and (h) of this Special Condition and the Car Park Common Areas referred to in sub-clause (1)(iv) of this Special Condition, or a copy of such plan certified by an Authorized Person (as defined in the Buildings Ordinance) shall be deposited with the Director. No transaction (except a building mortgage under Special Condition No.(27)(c) hereof or such other transactions as the Director may approve) affecting the lot or any part thereof or any building or part of any building erected or to be erected on the lot shall be entered into prior to such deposit. The manoeuvring, parking, loading and unloading spaces and the Car Park Common Areas indicated on the said approved plan shall not be used for any purpose other than for the respective purposes set out in sub-clauses (a), (b), (c), (d), (e), (f), (g), (h) and (l) of this Special Condition. The Purchaser shall maintain the manoeuvring, parking, loading and unloading spaces and the Car Park Common Areas in accordance with the said approved plan and shall not alter the layout except with the prior written consent of the Director.

(36) (k)(iii) The Purchaser (which expression for the purpose of this sub-sub-clause shall not include its successors in title or assigns) may not assign, charge, mortgage, demise, underlet, part with the possession of or otherwise alienate or dispose of the goods vehicle spaces, the manoeuvring space for goods vehicles and refuse collection vehicles, the parking space for kindergarten, the taxi lay-by and the spaces for vehicles for disabled users (or any part thereof or any interest therein) required to be provided in accordance with sub-clauses (c), (d), (e), (f), (g) and (h) respectively of this Special Condition other than to the manager appointed in accordance with the DMC (as defined in Special Condition No.(67)(a)(i) hereof) or a corporation incorporated under the Building Management

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Ordinance (Cap. 344), which manager or corporation shall hold the undivided shares attributable to the goods vehicle spaces, the manoeuvring space for goods vehicles and refuse collection vehicles, parking space for kindergarten, taxi lay-by, and spaces for vehicles for disabled users in trust for all the owners of undivided shares in the lot. Provided that the said manager or the corporation may let the parking spaces for the kindergarten to be provided in accordance with sub-clause (f) of this Special Condition to the occupiers of the kindergarten. The goods vehicles spaces, the manoeuvring space for goods vehicles and refuse collection vehicles, the taxi lay-by and spaces for vehicles for disabled users shall be designated as and form part of the Common Areas referred to in Special Condition No.(67)(a)(v) hereof.”

DRAFTThe Second Schedule

Restriction on
alienation of Residential
Parking Spaces

(36)(1)(i)

The Residential Parking Spaces provided within the lot in accordance with sub-clause (a) of this Special Condition shall be designated as spaces for the parking of private cars belonging to the residents of the residential flats in the building or buildings erected or to be erected on the lot on the approved car park layout plan referred to in sub-clause (j) of this Special Condition.

(ii) The Residential Parking Spaces shall not be:

(I) assigned except

(a) 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

(b) 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; or

(II) underlet except to the residents of the residential flats in the building or buildings erected or to be erected on the lot,

provided that in any event not more than three of the Residential Parking Spaces shall be assigned or underlet to the owner or resident of any one residential flat.

Allocation of undivided
shares to the Car Park
Common Areas

(iii)

Prior to any assignment or disposal of any undivided share allocated to the Residential Parking Spaces or any interest therein, the Purchaser shall allocate to those parts of the car park which are for the common use and benefit only of the owners and occupiers of the Residential Parking Spaces, including but not restricted to the lifts, landings, loading and unloading spaces, spaces for the picking up and setting down of passengers and manoeuvring and circulation areas (hereinafter referred to as "the Car Park Common Areas"), a number of undivided shares in the lot which in the opinion of the Director is appropriate.

Restriction on
alienation of Car Park
Common Areas

(iv)

The Purchaser may not assign, mortgage or charge or otherwise dispose of or part with the possession of any undivided shares allocated to the Car Park Common Areas or any interest therein or enter into any agreement so to do except that the whole of the said undivided shares in the Car Park Common Areas shall be assigned to and vested in:-

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- (I) upon execution of the DMC (as defined in Special Condition No. (67)(a)(i)), the manager appointed in accordance with the DMC who shall hold the said undivided shares on trust for the benefit of all owners for the time being of the undivided shares allocated to the Residential Parking Spaces; or
- (II) upon execution of a sub-Deed of Mutual Covenant in respect of any building or buildings or part or parts thereof erected on the lot which includes the Residential Parking Spaces (hereinafter referred to as "the Sub-DMC"), the manager appointed in accordance with the Sub-DMC who shall hold the said undivided shares on trust for the benefit of all owners for the time being of the undivided shares allocated to the Residential Parking Spaces.
- (v) Notwithstanding sub-clause (1)(ii) of this Special Condition, the Purchaser may, with the prior written consent of the Director (which he may grant or refuse at his absolute discretion), assign the Residential Parking Spaces and the Car Park Common Areas as a whole, but only to a wholly-owned subsidiary company of the Purchaser.
- (vi) Sub-clauses (1)(ii), (1)(iii) and (1)(iv) of this Special Condition shall not apply to an assignment, underletting, mortgage or charge of the lot as a whole.
- (vii) Sub-clauses (1)(iii) and (1)(iv) of this Special Condition shall not apply to an assignment, underletting, mortgage or charge as a whole of the undivided shares allocated to the Residential Parking Spaces and the Car Park Common Areas.
- (viii) Sub-clauses (1)(iii) and (1)(iv) of this Special Condition shall not apply to an underletting of the Residential Parking Spaces.
- Provision of sales office and show flats (64) Notwithstanding the maximum gross floor area permitted under Special Condition No. (11) hereof, the Purchaser may erect on part or parts of the lot separate temporary structures for the purposes of a sales office and show flats and related marketing activities to facilitate the sale of the building or buildings or any part or parts thereof erected or to be erected on the lot in accordance with these Conditions, provided that the scale and period of operation of such sales office and show flats and related marketing activities shall be subject to the prior written approval of the Director and such other terms and conditions as the Director shall in his absolute discretion see fit to impose.
- Quarters for watchmen and caretakers (65) (a) Quarters for watchmen or caretakers or both may be provided within the lot subject to the following conditions:

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within the lot subject to the following conditions:

- (i) that such quarters shall be located in one of the blocks of residential flats erected on the lot or in such other location as may be approved in writing by the Director;
- (ii) that such quarters shall be provided with self-contained toilet, showering, washing and kitchen facilities; and
- (iii) that such quarters shall not be used for any purpose other than the residential accommodation of watchmen or caretakers or both, who are wholly and necessarily employed within the lot.

(b) For the purpose of calculating the total gross floor area stipulated in sub-clause (b)(i) of Special Condition No. (11) hereof, quarters provided within the lot in accordance with sub-clause (a) of this Special Condition with a total gross floor area of not exceeding 25 square metres shall not be taken into account. Any gross floor area in excess of 25 square metres shall be taken into account for such calculation.

(c) Quarters for watchmen or caretakers or both provided within the lot in accordance with sub-clause (a) of this Special Condition shall be designated as and form part of the Common Areas referred to in Special Condition No. (67)(a)(v) hereof.

Registration

(66) Every assignment, mortgage, charge, underletting for more than three years or other alienation of the lot or any part thereof or any interest therein shall be registered at the Land Registry.

Deed of Mutual
Covenant incorporating
Management
Agreement (if any)

(67) (a) Notwithstanding that these Conditions shall have been observed and complied with to the satisfaction of the Director, the Purchaser shall not assign, mortgage, charge or part with the possession of or otherwise dispose of the lot or any part thereof or any interest therein or enter into any agreement so to do except by way of an assignment or other disposal of undivided shares in the whole of the lot together with the right to the exclusive use and occupation of individual floors and/or units in any building or buildings erected thereon and even then such assignment or other disposal shall be subject to the following conditions :

- (i) the Purchaser shall first submit to and obtain the approval in writing of the Director to a Deed of Mutual Covenant incorporating a Management Agreement (if any) (hereinafter referred to as "the DMC") to be entered into between the Purchaser and the assignees from him of undivided shares in the whole of the lot;
- (ii) the DMC must be in a form and contain the provisions which the Director shall approve or require and it (and any approved amendment or amendments to it) must be registered by Memorial against the lot in the Land

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Registry;

- (iii) the Purchaser must comply with the approved terms and conditions of the DMC. No amendment thereto may be made without the prior written consent of the Director and the payment of such fees as may be required;
 - (iv) every assignment or other disposal of an undivided share or shares in the lot shall be subject to and with the benefit of the DMC;
 - (v) in the DMC the Purchaser must allocate to those parts of the lot which comprise the common areas or amenities for the common use and benefit of owners for the time being of the lot (hereinafter referred to as "the Common Areas") a number of undivided shares in the lot which in the opinion of the Director is appropriate;
 - (vi) the Purchaser may not assign, mortgage or charge (except by building mortgage or charge under Special Condition No. (27)(c) hereof) or otherwise dispose of or part with the possession of any undivided shares allocated to the Common Areas or any interest therein or enter into any agreement so to do except that upon execution of the DMC the whole of the said undivided shares in the Common Areas shall be assigned to and vested in the manager appointed in accordance with the DMC who must hold the said undivided shares on trust for the benefit of all owners for the time being of undivided shares in the lot;
 - (vii) the DMC must provide that, subject to sub-clause (a)(viii) hereof, on termination of the manager's appointment the manager must assign the said undivided shares and the whole of the undivided shares in the Car Park Common Areas (if the same shall have been allocated in accordance with Special Condition No.(36)(l)(iii) hereof) free of costs or consideration to its successor in office; and
 - (viii) if an Owners' Corporation is formed under the Building Management Ordinance (Cap. 344), it may require the manager, in accordance with the DMC to assign the undivided shares in the Common Areas and transfer the management responsibilities to it free of costs or consideration, in which event, the said Owners' Corporation must hold them on trust for the benefit of all owners for the time being of undivided shares in the lot.
- (b) Sub-clause (a) of this Special Condition shall not apply to :
- (i) an assignment, underletting, mortgage or charge of the

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lot as a whole; or

(ii) an underletting of a part of the building erected thereon.

(c) The DMC must not contain provisions which would in any way prohibit, prevent, hinder or prejudice the establishment or operation of a residential care home or homes as defined in the Residential Care Homes (Elderly Persons) Ordinance (Cap. 459), any regulations made thereunder and any amending legislation or such other Ordinances or Regulations which may amend or replace the Residential Care Homes (Elderly Persons) Ordinance (Cap. 459) (which residential care home or homes shall hereinafter referred to as "RCHE") or the use of the lot or any part thereof or any building or part of any building erected thereon for the purpose of RCHE. A provision to the effect that no provision in the DMC shall operate to prohibit, prevent, hinder or prejudice the establishment or operation of RCHE or the use of the lot or any part thereof or any building or part of any building erected thereon for the purpose of RCHE must be included in the DMC.

Restriction on
partitioning

(68) The Purchaser shall not, without the prior written consent of the Director, partition (whether by way of agreement or other disposal or any other means) the lot or any part thereof or any section of the lot that has already been partitioned with consent. Where the lot has been partitioned with such consent, the provisions in Special Condition No. (67) hereof shall apply to each of the sections so partitioned with the references to "the lot" under the said Special Condition being replaced and substituted by the relevant section."

Recreational facilities

(69) (a) The Purchaser may erect, construct and provide within the lot such recreational facilities and facilities ancillary thereto (hereinafter referred to as "the Facilities") as may be approved in writing by the Director. The type, size, design, height and disposition of the Facilities shall also be subject to the prior written approval of the Director.

(b) The Facilities provided in accordance with sub-clause (a) of this Special Condition shall only be used by any one or more residents of the residential block or blocks erected or to be erected within the lot and their bona fide visitors and by no other person or persons whatsoever.

(c) For the purpose of calculating the total gross floor area stipulated in sub-clauses (b)(i) and (b)(ii) of Special Condition No.(11) hereof, any part of the Facilities provided within the lot in accordance with sub-clause (a) of this Special Condition which are for the common use and benefit of all the residents for the time being of the residential units of the lot and their bona fide visitors shall not be taken into account. The remaining part of the Facilities which are not for such use shall be taken into account for the calculation of the total gross floor area stipulated in sub-clause (b)(i) of Special Condition No.(11) hereof.

(d) In the event that any part of the Facilities is exempted from the gross floor area calculation pursuant to sub-clause (c) of this Special Condition: -

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- (i) such part of the Facilities shall be designated as and form part of the Common Areas referred to in Special Condition No.(67)(a)(v) hereof; and
- (ii) the Purchaser shall at his own expenses maintain such part of the Facilities in good and substantial repair and condition and shall operate such part of the Facilities to the satisfaction of the Director.

(C:\My Documents\1129modictre-kil11078(1st part).doc)

(112)
E

FIRST STAR DEVELOPMENT LIMITED

30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong

Your Ref : (112) in L/M(6) in DLO/KW/103/KPT/KW

20th February 2003

Director of Lands

Lands Department
Land Supply and Redevelopment Section
19th Floor, North Point Government Offices
333 Java Road, North Point
Hong Kong

**Subject to Contract and Negotiation
and Without Prejudice**

**Attn: Mr. J. E. White (Chief Estate Surveyor (Atg.)/
Land Supply and Redevelopment Section)**

Dear Sir,

**Proposed Modification - Hung Hom Bay Reclamation Area, Kowloon - Kowloon
Inland Lot No.11076**

(112)

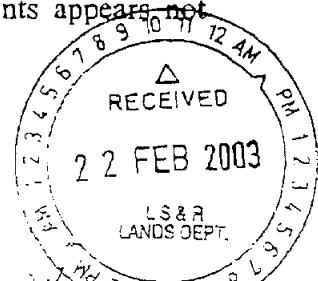
We refer to your letter of 7th February 2003.

Before we go into details of your said letter, we would like to put on record that it is indeed the Government's initiative, not ours, to propose to modify the current land grant of Kowloon Inland Lot No.11076 to cater for the change in circumstances resulting from the change in the Government's housing policy - suspension/cancellation of the Private Section Participation Scheme ("PSPS"). As such, we consider that the Administrative Fees chargeable/payable under the proposed Modification, if any, shall be kept to the minimal.

Subject to the amount of premium being satisfactorily agreed between us which should properly take into account an appropriate amount for the settlement or the waiver of our claim against the Government, the Director of Lands and the Hong Kong Housing Authority for loss, damages, costs and expenses arising from the suspension/cancellation of the PSPS resulting in our interests in the above development being adversely affected, and to follow up the proposed Modification in your said letter, we wish to inform you on a without prejudice and non-binding basis that the terms as set out in your said letter are in principle acceptable to us except for S.C.No.(36)(1)(ii) of the Second Schedule concerning restriction on alienation of Residential Parking Spaces.

We are of the view that since after the lease modifications, the development will become a private development as opposed to Home Ownership Scheme or PSPS developments, the "usual" restriction for assigning the residential parking spaces to residents appears not strictly necessary or otherwise applicable to this development.

mhwong/inwd/hunghompss



For record on 20/2/03 11:01:06

FIRST STAR DEVELOPMENT LIMITED

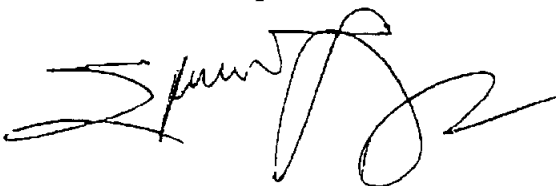
30th Floor, New World Tower, 18 Queen's Road Central, Hong Kong

Our concern is that if such restriction shall remain, there is always a possibility that some (and it is difficult to estimate the extent at this moment) of the Residential Parking Spaces will not be taken up by the owners of the residential flats of the development ("Owners") eventually nor will such remaining Residential Parking Spaces be successfully underlet to residents of the residential flats. This is unreasonable to us as the developer who, on one hand, are forbidden to realize our investment in the development and, on the other hand, have to continue to bear the expenses incurred incidental to the holding of these remaining Residential Parking Spaces. These expenses will include the management fees, rates and Government rents, etc. There must be a reasonable arrangement that we are allowed to dispose of the Residential Parking Spaces freely.

In the circumstances, we would insist to limit the restriction on alienation contained in sub-clause (ii) of this Special Condition to a certain period commencing from the date of first assignment of residential flat(s) to purchaser(s). We are willing to consider extending such period from 6 months (as we previously proposed) to 9 months. We are also willing to consider to include a provision that should we intend to dispose of the Residential Parking Spaces to persons other than the Owners after the agreed period, we will give the Owners one months notice during which the Owners will have the first right of refusal to purchase the Residential Parking Spaces. We sincerely hope that the Government will reconsider our proposal.

Finally, we wish to stress that whilst we will endeavour to negotiate with the Government for a satisfactory conclusion to the proposed Modification, all our rights herein to claim against the Government for all losses and damages suffered by us in the development are hereby expressly reserved. Needless to say our negotiation with the Government on the proposed Modification should be treated as entirely without prejudice to all our rights in the development and that nothing herein contained or in all other correspondence with you in this regard are to be taken as binding on us in any way until and unless formal documentation shall have been duly executed between us and the Government and all other parties concerned.

Yours faithfully,
For and on behalf of
First Star Development Limited



Leung Chi Kin

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地政總署
法律諮詢及田土轉易處
LEGAL ADVISORY AND CONVEYANCING OFFICE
LANDS DEPARTMENT

電話 Tel: 2231 3725
圖文傳真 Fax: 2845 1017
本署檔號 Our Ref: LACO 1/316/2003 SF4 Pt 2
來函檔號 Your Ref:

30 December 2003

Messrs Cheung, Chan & Chung
Unit 5505, 55/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

By Post & By Fax : 28453467

Without Prejudice

Dear Sirs,

Mediation

In advance of the basic terms offer letter which I hope to forward to you shortly, I now write to you on Special Condition (36)(k) of the draft modification forwarded to you by the Department of Justice in November of this year.

During the mediation it was agreed that within a period of 9 months from the date of the 1st assignment of any flat in the subject development pursuant to the lease modification, the Claimant shall offer the car parking spaces therein for sale only to the flat owners thereof, and the Claimant may thereafter offer any car parking spaces yet unsold to the general public for sale. To reflect this I propose that Special Condition (36)(k)(i) be amended by the insertion of "within a period of 9 months from the date of the first assignment of a residential unit in the buildings erected on the lot," after "at any time assign".

Yours faithfully,

(A.L. Robertson)
Assistant Director/Legal
for Director of Lands

12291



地政總署
法律諮詢及田土轉易處
LEGAL ADVISORY AND CONVEYANCING OFFICE



電話 Tel: 2231 3725
圖文傳真 Fax: 2845 1017
本署檔號 Our Ref: LACO 1/316/2003 SF4 Pt 2
來函檔號 Your Ref:

8 January 2004

Messrs Cheung, Chan & Chung
Unit 5505, 55/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

By Fax : 28453467

Dear Sirs,

Mediation

I refer to my letter dated 30 December 2003.

Please note that the necessary sanction to allow the modification at a premium of \$864 million has been obtained.

I look forward to receiving a response to my letter dated 30 December 2003 as soon as possible so that the formal offer of a modification can be made.

Yours faithfully,

(A.L. Robertson)
Assistant Director/Legal
for Director of Lands

c.c. DD/G

12291

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張陳鍾律師行
CHEUNG, CHAN & CHUNG

Solicitors & Notaries
Agents for Trade Marks and Patents

Unit 5505, 55th Floor, Hopewell Centre,
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香港灣仔皇后大道東183號合和中心55字樓5505室
Tel 電話 : (852) 2868 2082, (852) 2230 2000
Fax 傳真 : (852) 2845 3467
E-mail: office@ccandc.com.hk

YOUR REF:

DATE: 8th January 2004

OUR REF: PC/LC/37000/03

PLEASE REPLY TO Mr. Leo Cheng

By Fax: 2845 1017 (02 pages)

Legal Advisory and Conveyancing Office
Lands Department
HONG KONG

2nd letter

URGENT

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

Dear Sirs,

Re: Mediation

May we begin this letter by tendering our apology for the delay in responding to your letter 30th December 2003. Our client's instructions thereon are expected to arrive this afternoon and a constructive reply can be conveyed to you later today or tomorrow morning.

As regards our client's request for (a) the Government's waiver of rates; and (b) their payment of government rent on a "development site" basis, until completion of the fitting out works at the subject premises, your Mr. Robertson is well conversant with the grounds in support of the same. To expedite the progress of the matter so as to meet the tight schedule, instead of asking our client to submit the written arguments which will no doubt result in further delay, we shall be most grateful if he would be kind enough to relay

.../2.

PARTNERS:

Cheung King Poon, Derek	LL.B	張景輝律師	2522 4986
Cheng Huen Ming, Leo	LL.B	鄭煥明律師	2530 5262
Leung Chun Kuen, Noel	LL.B	梁振權律師	2230 2033

ASSOCIATES:

Wong Siu Mei, Simce	LL.B	王少薇律師	2230 2013
Tam Chi Keung, Derrick		譚志強律師	2230 2055
Tse Mun Har, Mandy	LL.B	謝曼雯律師	2230 2038

SENIOR CONSULTANTS:

* Chung Kwok Cheong	M.A., LL.B	鍾國昌律師	2522 2904
Wan Chi Shing, Tony	LL.B	尹榮滋律師	2525 6634
* Susan Johnson	LL.B	莊素珊律師	2588 1002
David A. Fok	M.A., LL.B (CANTAB)	霍兆全律師	2588 1008

**Notary Public*

CONSULTANTS:

Ho Sai Han, Patsy	LL.B	何世嫻律師	2230 2062
Charles Alexander Williams		威廉施律師	2230 2099



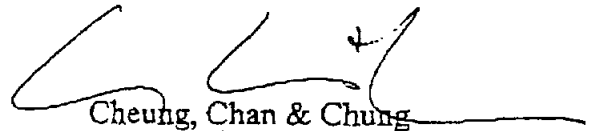
張陳鍾律師行
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- 2 -

those grounds to the Commissioner for Rating and Valuation for his consideration. Notwithstanding that, our client hereby expressly reserve their right to submit further and/or alternative arguments in case the Commissioner is not prepared to entertain their present request.

Yours faithfully,



Cheung, Chan & Chung

c.c. Client



張陳鍾律師行
CHEUNG, CHAN & CHUNG

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Fax 傳真: (852) 2845 3467
E-mail: office@ccandc.com.hk

YOUR REF:

DATE 8th January 2004

OUR REF: PC/LC/37000/03

PLEASE REPLY TO Mr. Leo Cheng

By Fax: 2845 1017 (02 pages)

Legal Advisory and Conveyancing Office
Lands Department
HONG KONG

1st letter

URGENT

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

Dear Sirs,

Re: Mediation

We thank you for your letter earlier today, the contents of which are noted.

For the sake of clarity and certainty, we write to confirm that, subject to those relatively trivial issues as identified on the last day of the mediation which are to be resolved by the parties through discussion, a binding contract has now been struck between our client on the one part and the Housing Authority and the Government of the HKSAR ("the Government") on the other part under which the Government has agreed to modify the relevant government lease to the effect that our client will take up the Hunghom Peninsula development as a private developer in consideration of our client's payment of a premium of HK\$864 million.

.../2.

PARTNERS:

Cheung King Poon, Derek	LL.B	張景坤律師	2522 4986
Cheng Huen Ming, Leo	LL.B	鄭煥明律師	2530 5262
Leung Chun Kuen, Noel	LL.B	梁振權律師	2230 2033

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Tam Chi Keung, Derick		譚志強律師	2230 2055
Tse Mun Han, Mandy	LL.B	謝曼恩律師	2230 2038

SENIOR CONSULTANTS:

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Wan Chi Shing, Tony	LL.B	尹榮煥律師	2525 6634
* Susan Johnson	LL.B	莊素珊律師	2588 1002
David A. Fok	M.A.L.L.B(CANTAR)	霍兆全律師	2588 1008

**Notary Public*

CONSULTANTS:

Ho Sai Han, Patsy	LL.B	何世嫻律師	2230 2062
Charles Alexander Williams		威廉施律師	2230 2099



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- 2 -

... If you are not agreeable to our interpretation of the present situation and take the view that at the moment there is no binding agreement in existence as aforesaid, please let us know forthwith so that we can convey the message to our client without delay.

Yours faithfully,



Cheung, Chan & Chung

c.c. Client



張陳鍾律師行
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Fax 傳真 : (852) 2845 3467
E-mail: office@ccandc.com.hk

YOUR REF

DATE 9th 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 30th December 2003;
 - (ii) Department of Justice's letter to our firm dated 12th November 2003;
 - (iii) Lands Department's letter dated 7th February 2003 to First Star Development Limited enclosing the draft modification letter; and
 - (iv) First Star Development Limited's letter dated 20th February 2003 to Lands Department
- all on the captioned matter.

.../2.

PARTNERS:

Cheung King Poon, Derek	LL.B	張景燭律師	2522 4986
Cheng Huen Ming, Leo	LL.B	鄭煊明律師	2530 5262
Leung Chun Kuen, Noel	LL.B	梁振權律師	2230 2033

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Charles Alexander Williams		威廉施律師	2230 2090



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- 2 -

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 30th 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."*

.../3.



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- 3 -

SC(36)(a) and SC(36)(l)(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)(l)(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 20th February 2003. Please be informed the same is hereby formally withdrawn.

.../4.



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- 4 -

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 7th 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 2nd last paragraph on page 2 of Lands Department's letter dated 7th 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 7th 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.



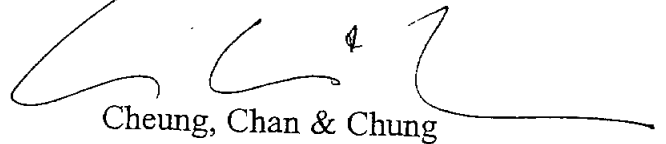
張 陳 鍾 律 師 行
CHEUNG, CHAN & CHUNG

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Agents for Trade Marks and Patents

- 5 -

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

63



地政總署
法律諮詢及田土轉易處
LEGAL ADVISORY AND CONVEYANCING OFFICE
LANDS DEPARTMENT

電話 Tel: 2231 3725
圖文傳真 Fax: 2845 1017
本署檔號 Our Ref: LACO 1/316/2003 SF4 Pt 2
來函檔號 Your Ref:

15 January 2004

Messrs Cheung, Chan & Chung
Unit 5505, 55/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

By Fax : 2845 3467
Without Prejudice and subject
to contract and negotiation

Dear Sirs,

Mediation

I refer to your letter dated 9 January 2004 and am instructed to reply as follows :-

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

Your point as to SC (36)(k)(i) having been proposed to be deleted is noted. It is intended to be replaced by SC (36)(l)(ii). Your proposed amended wording of SC (36)(l)(ii) is agreed subject to (I) and (II) being amended to :-

“(I) together with the undivided share or shares allocated to a residential flat in the building or buildings erected or to be erected on the lot and the right of exclusive use and possession of that flat; or

(II) to a person who is already the owner of an undivided share or shares in the lot allocated to a residential flat in the building or buildings erected on the lot and of the right of exclusive use and possession of that flat”

The amended wording reflects the legal position more accurately than the wording in (I) & (II) in SC (36)(l)(ii) as per the draft Conditions attached to the LAO letter dated 7 February 2003 to you. The amended wording also allows for the allocation of only one undivided share to a flat (the previous version did not) and avoids the implication of a possibility that an undivided share or certain undivided shares might be allocated to more than one flat. It also avoids the incorrect statement of an undivided share or shares giving a right of possession.

SC (36)(a) and SC (36)(^l)(i)

Your amendments are agreed.

The withdrawal of your client's proposal of a first right of refusal is noted.

Re-approval of DMC

It is agreed that the DMC as approved needs to be revamped and resubmitted. As with all DMCs submitted to LACO for approval, I assure you and your clients that the approval of the revamped DMC when submitted to LACO will be processed as quickly as possible and without any undue delay.

To expedite matters I suggest that the "new" DMC and checklist are submitted to LACO as soon as possible.

Lands Department's letter dated 7th February 2003

Once the carpark alienation clause has been agreed I intend supplying you with a fresh basic terms offer letter. In lieu of the penultimate paragraph on page 2 of the letter dated 7th February 2003, I propose a paragraph along the lines of :-

"This basic terms offer, the ensuring modification and the agreeing and the payment of premium are and will be on the understanding that they are not and will not be construed as an admission of any breach of the conditions by the Government or the Housing Authority or of your accepting or acknowledging that there has been no breach of the Conditions."

If there are now any obstacles remaining to be overcome before the new basic terms offer letter is issued, please do not hesitate to call me. Otherwise, I look forward to your confirmation by return that all matters relating to the basic terms offer are agreed so that the agreed date of 17th January 2004 for the making of the formal basic terms offer can be met.

Yours faithfully,



(A.L. Robertson)
Assistant Director/Legal
for Director of Lands

c.c.	DD/G	(Attn : Mr J S Corrigan)	By Hand
	D of J	(Attn : Mr Gregory Payne)	By Fax : 2869 0062
	D of H	(Attn : Mr Vincent Tong)	By Fax : 2762 1110