

# FIRST STAR DEVELOPMENT LTD.

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13<sup>th</sup> March, 2003

專責委員會(2)文件編號 R28  
SC(2) Paper No. R28

Lands Department,  
Valuation Section,  
20/F., North Point Government Offices,  
333 Java Road,  
North Point,  
Hong Kong.

Attn: Mr John Corrigan

Dear Sirs,

Our Ref. : 030313/04  
Project : PSPS at K.I.L. No. 11076, Hunghom Bay Reclamation Area, Kowloon.

Further to the discussion on 10<sup>th</sup> March, 2003, we forward herewith three sheets of our calculations for the estimated amount of premium for the captioned project by having the sales price of HK\$ 2,600/sq.ft., HK\$ 2,700/sq.ft. and HK\$2,800/sq.ft. respectively for your reference.

Please again be advised that, to the best of our estimation, the sales price of the captioned development after extensive upgrading works, as given in our previous letter dated 20<sup>th</sup> December, 2002, should only be ranged from HK\$ 2,600 to HK\$ 2,800 per sq. ft. according to the market conditions currently and in the coming future as well as the as-built development constraints and shortcomings in accordance with the PSPS standard.

Yours faithfully,  
For and on behalf of  
First Star Development Ltd.



Leung Chi Kin Stewart

Encl. as stated

c.c. Lands Department - Mr. James Merritt (w/e)  
- Ms. Susan Ku (w/e)

PL/WML/WCL/awml

Total residential GFA  
Total residential SFA

Sq.ft.	Sq.m
1,553,245	144,300
1,329,242	123,490

85.6%

Buyback Price per sq.m SFA

315,510

HK\$

HK\$

1,914,089,296

Market Price at @ per sq.ft. GFA

\$2,600

4,038,437,000

Less:

- 1 Original buyback amt forfeited
- 2 Upgrading/renovation costs
- 3 Loss of revenue due to change in usage of 100 carparks @\$250,000
- 4 Additional marketing cost for selling private housing (1.5% on sales revenues)
- 5 Sales commission for selling private housing (1.75% on sales revenues)

1,914,089,296  
387,269,336  
25,000,000  
60,576,555  
70,672,648

- 6 Running cost of the site from Dec 2002 (CC date) to the end of renovation period (7 months from April 03 expected)
  - Insurance costs @\$504,296 per annum
  - Management and Maintenance costs @\$319,520 pm
- Running cost of unsold flats (assume it takes 12 mths to sell all the flats)

11 mths  
11 mths  
12 mths @50%

+8 m 462,271  
3,514,720  
2,169,268

- 7 Government rent and rates
  - From Dec 2002 to the end of renovation costs (100%) [Government rent and rates @1,916K per month]
  - From Nov 2003 to Oct 2004

11 mths 21,083,326  
12 mths @50% 11,499,996

- 8 Additional interest cost incurred at 5% per annum from Dec 2002 to Oct 2004 (flats can be sold over 12 mths from completion of renovation)
  - Original buyback amt
  - Upgrading/renovation costs
  - Delay in receiving receipts from sales of remaining carpark (@394 \* 250,000)
  - Delay in receiving receipts from sales of commercial area (@3,000 sq.m. \* 66,000 psm)
  - Delay in receiving receipts from sales of kindergarten (@734.5 sq.m. \* 23,500 psm)

11 mths + 12 mths @50% +8 m 135,581,325  
27,431,578  
6,977,083  
14,025,000  
1,222,636

- 9 Interest on Additional land premium for lease modification say \$500M @5%

7 mths + 12 mths @50% 27,083,333

- 10 Surplus to cover capital risk and holding costs of unsold units

2,708,658,372  
807,687,400

3,516,345,772

Land Premium \$22,091,228

Land Premium /GFA 336

*14 months  
8 TF (15 months)  
7 months  
average selling period*

Capital Risks and Holding Costs

Annual additional costs to be incurred if 50% of units cannot be sold after the 12 months period

- Holding interest cost per annum (\$2,700M \* 50% @5%)
- Marketing cost (50% on original budget)
- Running costs of the unsold units for 1 year
- Government rent and rates for 1 year

HK\$

67,716,459  
60,576,555  
2,169,268  
11,499,996  
141,962,278

Financial implication if the market price drops further by

10%  
15%  
18%  
20%

403,843,700  
605,765,550  
726,918,660  
807,687,400

Total residential GFA	Sq.ft.	Sq.m	
Total residential SFA	1,553,245	144,300	
	1,329,242	123,490	85.6%

	HK\$	HK\$
Buyback Price per sq.m SFA	315,500	<u>1,914,089,296</u>
Market Price at @ per sq.ft. GFA	\$2,700	<u>4,193,761,500</u>
Less:		
1 Original buyback amt forfeited		1,914,089,296
2 Upgrading/renovation costs		387,269,336
3 Loss of revenue due to change in usage of 100 carparks @ \$250,000		25,000,000
4 Additional marketing cost for selling private housing (1.5% on sales revenues)	1.50%	62,906,423
5 Sales commission for selling private housing (1.75% on sales revenues)	1.75%	73,390,826
6 Running cost of the site from Dec 2002 (CC date) to the end of renovation period (7 months from April 03 expected)		
- Insurance costs @ \$04,296 per annum	11 mths	462,271
- Management and Maintenance costs @ \$319,520 pm	11 mths	3,514,720
Running cost of unsold flats (assume it takes 12 mths to sell all the flats)	12 mths @ 50%	2,169,268
Government rent and rates		
- From Dec 2002 to the end of renovation costs (100%) [Government rent and rates @ \$1,916K per month]	11 mths	21,083,326
- From Nov 2003 to Oct 2004	12 mths @ 50%	11,499,996
8 Additional interest cost incurred at 5% per annum from Dec 2002 to Oct 2004 (Flats can be sold over 12 mths from completion of renovation)		
- Original buyback amt	11 mths + 12 mths @ 50%	335,581,325
- Upgrading/renovation costs		27,431,578
- Delay in receiving receipts from sales of remaining carpark (@ \$394 * 250,000)		6,977,083
- Delay in receiving receipts from sales of commercial area (@ \$3,000 sq.m. * 66,000 psm)		14,025,000
- Delay in receiving receipts from sales of kindergarten (@ \$734.5 sq.m. * 23,500 psm)		1,222,636
9 Interest on Additional land premium for lease modification say \$650M @ 5%	7 mths + 12 mths @ 50%	35,208,333
		<u>2,721,831,418</u>
10 Surplus to cover capital risk and holding costs of unsold units		838,752,300
		<u>3,560,583,718</u>
	Land Premium	<u>633,177,782</u>
	Land Premium /GFA	<u>408</u>

Capital Risks and Holding Costs

	HK\$
1 Annual additional costs to be incurred if 50% of units cannot be sold after the 12 months period	
- Holding interest cost per annum (\$2,700M * 50% @ 5%)	68,045,785
- Marketing cost (50% on original budget)	62,906,423
- Running costs of the unsold units for 1 year	2,169,268
- Government rent and rates for 1 year	11,499,996
	<u>144,621,472</u>
2 Financial implication if the market price drops further by	
10%	419,376,150
15%	629,064,225
18%	754,877,070
20%	838,752,300

Total residential GFA	Sq.ft.	Sq.m	
Total residential SFA	1,553,245	144,300	
	1,329,242	123,490	85.6%

	Buyback Price per sq.m SFA	HK\$	HK\$
	\$15,500		<u>1,914,089,296</u>
Market Price at @ per sq.ft. GFA	\$2,800		<u>4,349,086,000</u>
Less:			
1 Original buyback amt forfeited			
2 Upgrading/renovation costs		7,914,089,296	
3 Loss of revenue due to change in usage of 100 carparks @\$250,000		387,269,336	
4 Additional marketing cost for selling private housing (1.5% on sales revenues)	1.50%	25,000,000	
5 Sales commission for selling private housing (1.75% on sales revenues)	1.75%	65,236,290	
		76,109,005	
6 Running cost of the site from Dec 2002 (CC date) to the end of renovation period (7 months from April 03 expected)			
- Insurance costs @\$504,296 per annum	11 mths	462,271	
- Management and Maintenance costs @\$319,520 pm	11 mths	3,514,720	
Running cost of unsold flats (assume it takes 12 mths to sell all the flats)	12 mths @50%	2,169,268	
Government rent and rates			
- From Dec 2002 to the end of renovation costs (100%) [Government rent and rates @1,916K per month]	11 mths	21,083,326	
- From Nov 2003 to Oct 2004	12 mths @50%	11,499,996	
8 Additional interest cost incurred at 5% per annum from Dec 2002 to Oct 2004 (flats can be sold over 12 mths from completion of renovation)			
- Original buyback amt	11 mths + 12 mths @50%	135,581,325	
- Upgrading/renovation costs		27,431,578	
- Delay in receiving receipts from sales of remaining carpark (@394 * 250,000)		6,977,083	
- Delay in receiving receipts from sales of commercial area (@3,000 sq.m. * 66,000 psm)		14,025,000	
- Delay in receiving receipts from sales of kindergarten (@734.5 sq.m. * 23,500 psm)		1,222,636	
9 Interest on Additional land premium for lease modification say \$750M @5%	7 mths + 12 mths @50%	40,625,000	
			2,732,296,131
10 Surplus to cover capital risk and holding costs of unsold units			869,817,200
			<u>3,602,113,331</u>
		Land Premium	<u>746,972,669</u>
		Land Premium /GFA	<u>481</u>

Capital Risks and Holding Costs

	Annual additional costs to be incurred if 50% of units cannot be sold after the 12 months period	HK\$
1	- Holding interest cost per annum (\$2,700M * 50% @5%)	68,307,403
	- Marketing cost (50% on original budget)	65,236,290
	- Running costs of the unsold units for 1 year	2,169,268
	- Government rent and rates for 1 year	11,499,996
		<u>147,212,957</u>
2	Financial implication if the market price drops further by	
	10%	434,908,600
	15%	652,362,900
	18%	782,835,480
	20%	869,817,200