

FIRST STAR DEVELOPMENT LTD.

20th December, 2002

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

*PS/v3,
Dr file pl.
jm
21/12*

Attn: Ms. Susan Ku

Dear Sirs,

Our Ref. : 021220/02
Project : PSPS at K.I.L. No. 11076, Hunghom Bay Reclamation Area, Kowloon.

As per your request during the site visit on 10th December, 2002 and the subsequent telephone conversation with our Mr. David Lee on 11th December, 2002, please find attached for your reference a list showing the additional cost and the cost saving items on the captioned project for your reference.

Please be advised that the additional costs involved include that for insurance premium, government rate and rent, management and maintenance expenses, loss in interest for outstanding sales, upgrading works, loss of interest due to progressive sales of private properties, sales commission and the net addition for sales and marketing whilst the cost saving items include the bank charges on bank guarantees, and emergency repairs fund. Please note that there are still other hidden additional costs and loss, which cannot be calculated at this moment.

Please be further advised that the security money for DLP and emergency repairs fund have already been deposited to Housing Authority under our attached letter ref. 021118/03 dated 18th November, 2002.

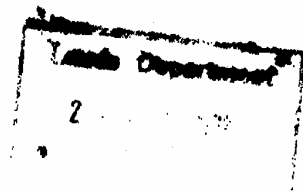
Please do not hesitate to contact with us should you require any further information on the above.

Thank you for your attention.

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



Leung Chi Kin Stewart



Encl. as stated

PL/WML/WCL/awml

香港中環皇后大道中18號新世界大廈30樓
30/F, New World Tower, 18 Queen's Road Central, Hong Kong

*property all work
Jack P. 20*

*Incl. Warrant
PSPS housing
progressive
measures
suffered*

*removal
office
Additional costs/
(Cost savings)
HK\$*

ADDITIONAL COST TO BE INCURRED BY DEVELOPER

1 Insurance premium for the property liability and public liability:
Insurance premium paid for 21.11.02 - 20.11.03 : HK\$504,296
Insurance premium during Renovation Period (1 Dec 2002 - 31 July 2003)

\$ 504,296.00 8 months 338,197

2 Government rent charged at \$2,150,000 per quarter from 1 February 2003 to 31 July 2003

\$ 716,666.00 6 months 4,299,996

3 Government rates at \$14.4M per annum from 1 February 2003 to 31 July 2003

\$ 1,200,000.00 6 months 7,200,000

4 Management and maintenance expenses during Renovation Period

\$ 319,520.00 8 months 2,558,180

5 Interest lost calculated at current prime rate due to delay in receiving sales proceeds of residential units during Renovation Period

\$ 1,914,000,000.00 8 months 5.00% 63,800,000

6 Renovation cost to be incurred for upgrading the properties to private properties

387,269,336

7 Interest lost calculated at current prime rate due to expected progressive sales of private properties as opposed to immediate sales of PSPS housing

		No. of mths after renovation		
25%	\$ 478,500,000.00	18 months	5.00%	35,887,500
25%	\$ 478,500,000.00	12 months	5.00%	23,825,000
25%	\$ 478,500,000.00	6 months	5.00%	11,962,500
				<u>71,775,000</u>

8 Sales commission payable to agents to be incurred

65,000,000

9 Net additional sales and marketing cost for selling the properties

53,000,000

Sub-total: 655,236,689 (a)

COST SAVINGS:-

10 Commission charge on Bank Guarantees - Performance Bond

	Guaranteed Amount	Period	Per annum (%)	
I	\$ 67,500,000.00	5 years and 460 days	0.25%	1,056,421
II	\$ 5,800,000.00	10 years	0.25%	140,000
				<u>(1,196,421)</u>

11 Recovery of Emergency Repairs Fund which is not required for private properties

(1,235,000)

Sub-total: (2,431,421) (b)

Total net cost incurred: - 652,805,268 (a) + (b)

ASSUMPTIONS

We have made following key assumptions:-

- Renovation works can be commenced on January 1 2003 and completed on July 31 2003
- No material change in interest rates and bank charges
- No material change in the material and labor cost of renovation
- Sales progress of the properties
 - 25% upon completion of renovation works
 - 25% 8 months from completion of renovation works
 - 25% 12 months from completion of renovation works
 - 25% 18 months from completion of renovation works
- Some hidden charges are not reflected in the above calculation

PSPS at KTL 11076, Hung Hom Bay Reclamation Area, Kowloon

16-Dec-02

Budgetary Price for Upgrading Proposal

Item	Description	Quantity	Unit	Rate	Amount
A.	External Area				
A.a.	Site A				
A.a.1	Portal at Vehicular Entrance	1	Sum	\$2,130,000.00	\$2,130,000.00
A.a.2	Landscaping Design Theme to Open Space	6,130	m2	\$1,437.80	\$8,813,714.00
A.a.3	Perimeter Wall (to be 5.5m high)	185	m	\$12,886.50	\$2,384,002.50
A.a.4	Fountain or Water Features	1	Sum	\$1,597,500.00	\$1,597,500.00
A.a.5	Club House *(area subject to review)	2,100	m2	\$14,910.00	\$31,311,000.00
A.a.6	Features to cover up all exposed pipeworks	1	Sum	\$1,065,000.00	\$1,065,000.00
A.a.7	Change of Covered Walkway	200	m	\$26,625.00	\$5,325,000.00
	Average :	6,130	m2	\$8,585.03	\$52,626,216.50
A.b	Site B				
A.b.1	Portal at Vehicular Entrance	1	Sum	\$2,130,000.00	\$2,130,000.00
A.b.2	Pedestrian Entrance	1	Sum	\$532,500.00	\$532,500.00
A.b.3	Features to cover up the exposed pipeworks	1	Sum	\$1,065,000.00	\$1,065,000.00
A.b.4	Decoration to Blank Wall at Vehicular Entrance	1	Sum	\$2,675,812.50	\$2,675,812.50
A.b.5	Features to screen off the Hung Hom Bypass	900	m2	\$2,662.50	\$2,396,250.00
A.b.6	Landscaping Design Theme to Open Space	\$250	m2	\$1,065.00	\$5,591,250.00
	Average :	\$250	m2	\$2,741.11	\$14,390,812.50
B.	G/F Lift Lobby				
B.1	Architectural Features at G/F	7	Blk	\$439,845.00	\$3,078,915.00
B.2	False Ceiling & Lighting Fittings to be upgraded	7	Blk	\$255,600.00	\$1,789,200.00
B.3	Floor pattern design	7	Blk	\$106,500.00	\$745,300.00
B.4	Deletion of one Notice Board & re-decorated by Granite	7	Blk	\$21,300.00	\$149,100.00
B.5	CCTV to be concealed	7	Blk	\$10,650.00	\$74,550.00
B.6	Lift indicator panel to be redesigned	7	Blk	\$31,950.00	\$223,650.00
B.7	Letter box to be redesigned.	7	Blk	\$58,575.00	\$410,025.00
B.8	Lift Interior Decoration	28	No.	\$26,625.00	\$745,500.00
	Average :	7	Blk	\$1,030,920.00	\$7,216,440.00
C.	Typical Lift Lobby				
C.1	Ceiling Moulding with Light Trough	10,868	m	\$905.30	\$9,838,800.40
C.2	Exit Sign to be upgraded	494	No.	\$1,331.30	\$657,662.20
C.3	Existing ceramic wall tile to be upgraded with homogeneous tiles	31,863	m2	\$521.90	\$16,629,299.70
C.4	E.O. for Decorative Panel to 300mm band at Dado level	10,868	m	\$692.30	\$7,523,916.40
C.5	Existing homogeneous floor tiles to be upgraded with quality tiles.	8,151	m2	\$468.60	\$3,819,558.60
C.6	Ceiling bulkhead to cover the Exposed Water Pipes	2,717	m	\$585.80	\$1,591,618.60
C.7	Signage to be upgraded.	247	Flr	\$10,650.00	\$2,630,550.00
C.8	Upgrade of Lift Door Panel & Door Portal	988	No.	\$3,993.80	\$3,945,874.40
C.9	Ditto for the Wall Panel finish	494	No.	\$8,839.50	\$4,366,713.00
C.10	Change of opaque glass at corridor window	494	No.	\$447.30	\$220,966.20
	Average :	247	Lobby	\$207,388.50	\$51,224,959.50
D.	Residential Units				
D.1	Living & Bedroom				
D.1.1	Flat signage at Main Door	2,470	No	\$266.30	\$657,761.00
D.1.2	Entrance Door Lockset	2,470	No	\$1,597.50	\$3,945,825.00
D.1.3	Timber Flooring	85,813	m2	\$426.00	\$36,556,338.00
D.1.4	Timber Skirting	88,000	m	\$79.90	\$7,031,200.00
D.1.5	Window-type Air-conditioners to Living Room	2,367	No	\$2,268.50	\$5,369,539.50
D.1.6	Ditto to Bedroom	5,521	No	\$1,259.90	\$6,955,907.90
D.1.7	Upgrade the existing bedroom lockset with quality set.	6,422	No	\$372.80	\$2,394,121.60
D.1.8	Touch up the finished area where disturbed by Upgrading.	2,470	Flat	\$1,278.00	\$3,156,660.00
	Average :	2,470	Flat	\$26,747.92	\$66,067,353.00

PSFS at KIL 11076, Hung Hom Bay Reclamation Area, Kowloon

16-Dec-02

Budgetary Price for Upgrading Proposal

Item	Description	Quantity	Unit	Rate	Amount
D.2	Kitchen				
D.2.1	Cooking Bench to be upgraded with built-in gas hob	2,470	No	\$3,354.80	\$8,286,356.00
D.2.2	Hanging Cabinet to house exhaust duct of cooking hood	2,470	No	\$2,928.80	\$7,234,136.00
D.2.3	Provision of Refrigerator	2,470	No	\$2,449.50	\$6,050,265.00
D.2.4	Provision of Washing Machine	2,470	No	\$3,408.00	\$8,417,760.00
D.2.5	Provision of Cooking Hood	2,470	No	\$1,011.80	\$2,499,146.00
D.2.6	Provision of Microwave oven	2,470	No	\$1,011.80	\$2,499,146.00
D.2.7	Provision of Exhaust Fan	2,470	No	\$905.30	\$2,236,091.00
D.2.8	Relocation/Abortive work to E&M Works	2,470	No	\$1,065.00	\$2,630,550.00
D.2.9	Upgrade the existing lockset with quality set.	2,470	No	\$372.80	\$920,816.00
D.2.10	Upgrade existing ceramic Wall tile with quality homogeneous tiles	42,700	m2	\$521.90	\$22,285,130.00
D.2.11	Upgrade existing ceramic Floor tile with quality homogeneous tiles	9,580	m2	\$468.60	\$4,489,188.00
D.2.12	Provision of False Ceiling	9,580	m2	\$479.30	\$4,591,694.00
	Average :	2,470	No	\$29,206.59	\$72,140,278.00
D.3	Bathroom/Toilet				
D.3.1	Provision of under-basin counter & cabinet	3,952	No	\$3,727.50	\$14,731,080.00
D.3.2	Mirror Cabinet	3,952	No	\$1,597.50	\$6,313,320.00
D.3.3	Towel Ring	3,952	No	\$213.00	\$841,776.00
D.3.4	Towel Rail	3,952	No	\$266.30	\$1,052,417.60
D.3.5	Shower Head	3,952	No	\$1,331.30	\$5,261,297.60
D.3.6	Exhaust Fan	3,952	No	\$905.30	\$3,577,745.60
D.3.7	Replace the existing W.C. set with quality one.	3,952	No	\$1,597.50	\$6,313,320.00
D.3.8	Replace the existing Bath Tub with quality set.	2,470	No	\$2,662.50	\$6,576,375.00
D.3.9	Upgrade the existing lockset with quality set.	3,952	No	\$372.80	\$1,473,305.60
D.3.10	Upgrade existing ceramic Wall tile with quality homogeneous tiles	48,850	m2	\$521.90	\$25,494,815.00
D.3.11	Upgrade existing ceramic Floor tile with quality homogeneous tiles	6,930	m2	\$468.60	\$3,247,398.00
D.3.12	Skirting to be upgraded	18,350	m	\$197.00	\$3,614,930.00
D.3.13	Provision of False Ceiling	6,930	m2	\$452.60	\$3,136,518.00
D.3.14	Allow for remedial/replacement works to sanitary fittings	3,952	No	\$319.50	\$1,262,664.00
D.3.15	Relocation/Abortive work to E&M Works	3,952	No	\$532.50	\$2,104,440.00
	Average :	3,952	No	\$21,508.46	\$85,001,422.40
E.	Preliminaries				
E.1	Site Staff Allowance including Setting out	6	mt	\$1,500,000.00	\$9,000,000.00
E.2	Extra Setting out				Included in E.1
E.3	Extra Watchman	6	mt	\$140,000.00	\$840,000.00
E.4	EC Insurance		Sum		\$9,594,354.00
E.5	CAR & 3rd Party Insurance		Sum		\$3,150,000.00
E.6	Levies		Sum		\$2,470,000.00
E.7	Plant (Lift maintenance)	6	mt	\$190,000.00	\$1,140,000.00
E.8	Site Office Expenses	6	mt	\$300,000.00	\$1,800,000.00
E.9	Extra Scaffolding				Seems not necessary
E.10	Extra Testing		Say		\$500,000.00
E.11	Safety and Fire Precautionary Measures		Say		\$500,000.00
E.12	Water and Electricity Supplies	5	mt	\$200,000.00	\$1,000,000.00
E.13	Clearing of Rubbish and Cleaning at Completion		Sum		\$2,164,500.00
E.14	Protection to all existing finishing for this upgrading works		Sum		\$1,443,000.00
E.15	Other Preliminaries Expenses		Say		\$1,000,000.00
E.16	Extra Consultancy Fee		Say		\$3,000,000.00
E.17	Extra Government Submission Fee		Say		\$1,000,000.00
		1,553,245	m2	\$24.85	\$38,601,354.00

PSPS at KIL 11076, Hung Hom Bay Reclamation Area, Kowloon

16-Dec-02

Budgetary Price for Upgrading Proposal

Item	Description	Quantity	Unit	Rate	Amount
	SUMMARY				
A.	External Area				
A.a	Site A			\$52,626,216.50	
A.b	Site B			\$14,390,812.50	
				\$67,017,029.00	\$67,017,029.00
B.	G/F Lift Lobby			\$7,216,440.00	\$7,216,440.00
C.	Typical Lift Lobby			\$51,224,959.50	\$51,224,959.50
D.	Residential Units				
D.1	Living Room			\$66,067,333.00	
D.2	Kitchen			\$72,140,278.00	
D.3	Bathroom/Toilet			\$85,001,422.40	
				\$223,209,033.40	\$223,209,033.40
E.	Preliminaries				\$38,601,854.00
					\$387,269,335.90

GFA m2 : 144,300
 GFA R2 : 1,453,245

Average \$/GFA R2 : \$249.33
 Average per Flat : \$156,789.20

6,250

FIRST STAR DEVELOPMENT LTD.18th November, 2002**DUPLICATE**

The Director of Housing,
Housing Department,
Housing Authority Headquarters,
33 Fat Kwong Street,
Ho Man Tin,
Kowloon.


Received by SECTION
Housing Department
19 NOV 2002

Dear Sirs,

Our Ref. : 021118/03
Project : PSPS at K.I.L. No. 11076, Hung Hom Bay Reclamation Area, Kowloon.

We forward herewith 2 crossed cheques of amount of HK\$ 13,500,000.00 (no. 097386) and HK\$ 1,235,000.00 (no. 097387) being the security money for DLP under Special Condition No. 29(b) and the Emergency Repairs Fund under Special Condition No. 32(g) respectively of the Conditions of Sale No. 12547 for the captioned project for your attention.

Yours faithfully,
First Star Development Ltd.



Patrick Lam

Encl. as stated

WML/awml


香港中環皇后大道中 18 號新世界大廈 30 樓
30/F, New World Tower, 18 Queen's Road Central, Hong Kong