

FIRST STAR DEVELOPMENT LTD.

13th March, 2003

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

Attn: Mr John Corrigan

Dear Sirs,

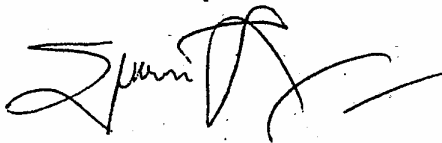
Our Ref. : 030313/04

Project : PSPS at K.I.L. No. 11076, Hunghom Bay Reclamation Area, Kowloon.

Further to the discussion on 10th 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 20th 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

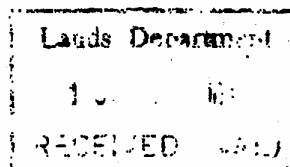
Encl. as stated

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

\$15,500

HKS

HKS

1,914,089,296

Market Price at @ per sq.ft. GFA

\$2,600

4,038,437,000

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%	60,576,555	
5	Sales commission for selling private housing (1.75% on sales revenues)	1.75%	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	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	
7	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 \$500M @5%	7 mths + 12 mths @50%	27,083,333	
				2,708,658,372
10	Surplus to cover capital risk and holding costs of unsold units			807,687,400
				<u>3,516,345,772</u>
			Land Premium	<u>522,091,228</u>
			Land Premium /GFA	<u>336</u>

Capital Risks and Holding Costs

1	Annual additional costs to be incurred if 50% of units cannot be sold after the 12 months period	HKS
	- Holding interest cost per annum (\$2,700M * 50% @5%)	67,716,459
	- Marketing cost (50% on original budget)	60,576,555
	- Running costs of the unsold units for 1 year	2,169,268
	- Government rent and rates for 1 year	11,499,996
		<u>141,962,278</u>
2	Financial implication if the market price drops further by	
	10%	403,843,700
	15%	605,765,550
	18%	726,918,660
	20%	807,687,400

**First Star Development
Hung Hom PSPS**

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

\$15,500

HK\$

HK\$

1,914,089,296

Market Price at @ per sq.ft. GFA

\$2,700

4,193,761,500

Less:

1	Original buyback amt forfeited		
2	Upgrading/renovation costs		1,914,089,296
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)		25,000,000
5	Sales commission for selling private housing (1.75% on sales revenues)	1.50%	62,906,423
		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 @\$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
7	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 \$650M @5%	7 mths + 12 mths @50%	35,208,333
			2,721,831,418
10	Surplus to cover capital risk and holding costs of unsold units		838,752,300

3,560,583,718

Land Premium 633,177,782

Land Premium /GFA 408

Capital Risks and Holding Costs

1	Annual additional costs to be incurred if 50% of units cannot be sold after the 12 months period	HK\$
	- 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
		144,621,472
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

First Star Development
Hung Hom PSPS

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

	Buyback Price per sq.m SFA	HK\$	HK\$
Market Price at @ per sq.ft. GFA	\$2,800		4,349,086,000
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%		65,236,290
5 Sales commission for selling private housing (1.75% on sales revenues)	1.75%		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
7 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
			3,602,113,331
		Land Premium	746,972,669
		Land Premium /GFA	481

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%)	68,307,403
- 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
	147,212,957
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