## FIRST STAR DEVELOPMENT LTD.

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

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

Attn: Mr John Corrigall

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)

Lauds Decamment

> Ms

Ms. Susan Ku

(w/e)

PL/WML/WCL/awmi

			Sq.ft,	Sq.m	
	Total residential GFA		1,553,245	144,300	
	Total residential SFA		1,329,242	123,490	85.6%
					05.076
			Т нкѕ	HK\$	1 to 1
	Buyback Price per sq.m SFA	\$15,500			
		1		1,914,089,296	
Ma	rket Price at @ per sq.ft. GFA	17.400			
		\$2,600	· I	4,038,437,000	
Les	S:				
1	Original buyback amt forfeited	<b>!</b> .	1.014.000.004	•	
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)	1.50%	25,000,000		•
5	Sales commission for selling private housing (1.75% on sales revenues)	1.75%	60,576,555		
	C / Commence of the commence o	1.7370	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)		1		
	- Insurance costs @504,296 per annum				·
	- Management and Maintenance costs @319,520 pm	11 mths	462,271		
	Running cost of unsold flats (assume it takes 12 mths to sell all the flats)	11 mths	3,514,720	,	
	de la company de	12 mths @50%	2,169,268		
7	Government rent and rates	ł		$\bullet = \{ (x,y) \in \mathbb{R}^{n} \mid x \in \mathbb{R}^{n} \}$	/
	- From Dec 2002 to the end of renovation costs (100%)	11 mths	24 222 224		₹:
	[Government rent and rates @1,916K per month]	11 mins	21,083,326		
	- From Nov 2003 to Oct 2004	13			
		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)	11 miles 12 miles Octor	1		
	- Original buyback amt	11 mths + 12 mths @50%			•
,	- Upgrading/renovation costs		135,581,325		
	- Delay in receiving receipts from sales of remaining carpark		27,431,578		
	(@394 * 250,000)		6,977,083		
	- Delay in receiving receipts from sales of commercial area		14 005 000		
	(@3,000 sq.m. * 66,000 psm)		14,025,000		•
	- Delay in receiving receipts from sales of kindergarten		1,222,636		
	(@734.5 sq.m. * 23,500 psm)	•	1,222,030		
9	Interest on Additional land premium for lease modification say \$500M @5%	7 mths + 12 mths @50%	27,083,333	. •	
		· ······· · · · · · · · · · · · · · ·	27,000,000	2,708,658,372	
			J	2,700,030,372	
10	Surplus to cover capital risk and holding costs of unsold units	• *	* -	907 (97 400	•
				807,687,400	
				2 516 245 222	
				3,516,345,772	
			Land Premium	500 001 000	: (
			Lanu Fichnum	522,091,228	
			I alba i cons		
	•		Land Premium /GFA	336	
	Capital Risks and Holding Costs				
	The state and stotomy 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%)				•
	- Marketing cost (50% on original budget)	67,716,459			
	- Running costs of the unsold units for 1 year	60,576,555	•	•	
	- Government rent and rates for 1 year	2,169,268	*		•
		11,499,996			•
		141,962,278			
2	Financial implication if the second				
4	Financial implication if the market price drops further by		1		
	10%	403,843,700		**	
	15%	605,765,550	1		
	18%	726,918,660			*
-	20%	807,687,400	1 -		

	Total residential GF		Sq.ft.	Sq.m	
	Total residential SF		1,553,245	144,300	
	Tour iconstitut of		1,329,242	123,490	
			<b>Т нкз</b>	uve	
	Buyback Price per sq.m SF	A \$15,500	1163	HK\$	
				1,914,089,296	
34.	and a term of the second of th		1		
MI	arket Price at @ per sq.ft. GFA	\$2,700		4,193,761,500	
Le	ee•			1,170,701,000	
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 success)		25,000,000		
5	Sales commission for selling private housing (1.75% on sales revenues)	1.50% 1.75%	62,906,423		
		1./370	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	A Addition of the control of the con	1	11,472,230		
٥	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%	P 44T		
	- Upgrading/renovation costs		135,581,325		
	- Delay in receiving receipts from sales of remaining carpark	,	27,431,578	4	
	(@394 * 250,000)		6,977,083		
	- Delay in receiving receipts from sales of commercial area		14.000.000		N .
	(@3,000 sq.m. * 66,000 psm)	•	14,025,000		
	- Delay in receiving receipts from sales of kindergarten		1,222,636		
	(@734.5 sq.m. * 23,500 psm)	1	1,122,000		
9	Interest on Additional land premium for lease modification say \$650M @5%	İ			
	modification 23A 2020W @2%	7 mths + 12 mths @50%	35,208,333		
		<u> </u>	1	2,721,831,418	
			·	1	
10	Surplus to cover capital risk and holding costs of unsold units		٠		
				838,752,300	
			-	3,560,583,718	
			-	2,200,203,710	
			Land Premium	633,177,782	
					٠
			Land Premium /GFA	408	
	Capital Risks and Holding Costs		_		
1	Annual additional costs to be incurred if 50% of units cannot be sold	live			
-	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 - Government rent and rates for 1 year	2,169,268			
	Constitution Ich and lates for 1 Assi.	11,499,996			
		144,621,472	·		
2	Financial implication if the market price drops further by		•		
	10%	44 n			
	15%	419,376.150		•	
	18%	629,064,225 754,877,070	₹ •		
	20%	838,752,300			
		330,134,300			
			,	-	
		•	(		

85.6%

		•	Sq.ft.	Sq.m
	Total residential GFA		1,553,245	144,300
	Total residential SFA	,	1,329,242	123,490
		· · · · · · · · · · · · · · · · · · ·	_	
			HKS	HK\$
	Buyback Price per sq.m SFA	\$15,500		1,914,089,296
				*
Mai	rket Price at @ per sq.ft. GFA	\$2,8(x)	1	4,349,086,000
_		·		4,577,000,000
Les	The same of the sa	j .		
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	•
			70,705,005	
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	1:1 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	
			2,107,208	•
				v
7	Government rent and rates	•		
	- From Dec 2002 to the end of renovation costs (100%)	11 mths	21,083,326	
	[Government rent and rates @1,916K per month]	** 171110	21,000,020	
	- From Nov 2003 to Oct 2004	12 mths @50%	11,499,996	
		12 111115 (35070	11,777,770	
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)	11 mths + 12 mths @50%		
	- Original buyback amt	A Diction 4 12 miles (\$200)	126 601 226	in co
	- Upgrading/renovation costs		135,581,325	
	- Delay in receiving receipts from sales of remaining carpark		27,431,578	
	(@394 * 250,000)		6,977,083	
	- Delay in receiving receipts from sales of commercial area	,	14 005 000	·
	(@3,000 sq.m. * 66,000 psm)		14,025,000	•
	- Delay in receiving receipts from sales of kindergarten	·	1 222 626	
	(@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	
		, mms , 12 mms @30%	40,023,000	2 722 206 121
				2,732,296,131
				•
10	Surplus to cover capital risk and holding costs of unsold units		•	
~	, , , , , , , , , , , , , , , , , , , ,			869,817,200
		* *	•	
				0.400.440.44
				3,602,113,331
		1 =	1 4 8	****
			Land Premium	746,972,669
	· · · · · · · · · · · · · · · · · · ·		Land Premium /GFA	481
	Capital Risks and Holding Costs			
	Capital Risks and Flording 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%)		1	
	Marketing cost (50% on original budget)	68,307,403		
	Busing 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		•
			2 .	
	• •	<b>.</b>		<del>-</del>
	taran da antara da a			

85.6%