

Rebirth of the Hong Kong-styled Food House


These days when you go into a traditional Hong Kong-styled food house, you will be more likely to find the interiors more colourful, the table settings less cramped, the floor without any food remains that the waiters used to sweep down from the table with a towel, and even the waiters themselves providing a more attentive service. Gone were the days when the waiter had a cigarette in the mouth while serving you with a dish.

Little wonder, the business of these revitalized Hong Kong-styled food houses has grown and more stores are opened, defying the prolonged recession.

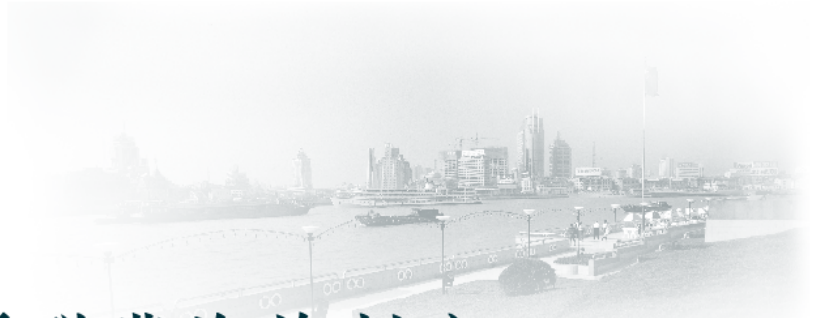
Businesses are transforming in Hong Kong, even the most basic one is of no exception. In valuation practice, we have seen even more widespread changes. In this month's feature article Cliff Tse tells a story of the dominant trend for out-sourcing mortgage valuation in the banking sector. Traditionally banks valued their mortgage portfolio by in-house experts. But the change in market place and competitions forced a rethink in strategy and this has created opportunities for external valuers.

PRC property valuations are on the rise. A detailed analysis of the approach in valuing PRC properties by K H Yu in this month's other feature article serves a very good guideline for PRC valuers.

In this month we also have James Longbottom sharing his view on the valuation of contractor-owned plant for financial claims. He concludes that the plant-owning costs are rarely about invoiced transactions or professional valuations, but require the exercise of judgment.

One key change you may find in this month's Surveyors Times is that we have more contributions from young surveyors. Another delightful development in the profession! 

Jim Yip
Hon. Editor
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上海專業技術人員職業資格制度基本情況

一、職業資格制度發展回顧

- (一) 十四屆三中全會提出要求
- (二) 勞動部人事部職業資格證書規定
- (三) 勞動部人事部的分工
- (四) 人事部對專業人員分類管理
- (五) 上海在一些領域的先走一步

二、專業人員職業資格

- (一) 執業資格的考試及註冊管理
- (二) 從業資格的考試考核
- (三) 職業資格管理的基本原則

三、現已頒布實施的職業資格

- (一) 人事部和國家各專業部委根據經濟和社會的發展，以及市場的需要，已部署並在全國推行了註冊建築師等 27 個執（職）業資格。人事部和有關部委聯合制定的專業人員職業資格制度：

1. 一級和二級註冊建築師
2. 一級和二級註冊結構工程師
3. 監理工程師
4. 造價工程師
5. 註冊城市規劃師
6. 房地產估價師
7. 執業藥師
8. 註冊資產評估師
9. 企業法律顧問
10. 註冊稅務師
11. 價格鑒證師
12. 珠寶玉石質量檢驗師
13. 註冊拍賣師

14. 礦產儲量評估師
15. 棉花質量檢驗師
16. 假肢與矯形器製作師
17. 註冊諮詢工程師（投資）
18. 礦業權評估師
19. 質量工程職業資格（初級、中級、高級）
20. 出版職業資格（初、中、高級）
21. 房地產經紀人、經紀人協理
22. 國際商務師
23. 註冊土木工程師（岩土）
24. 註冊安全工程師
25. 註冊核安全工程師
26. 土地登記代理人
27. 一、二級建造師

- (二) 國務院有關部委根據相關法規制定的執業資格制度

根據國家頒布的相關法律，由相關國家行政部門推行了註冊會計師、律師、教師資格、執業醫師、專利代理、商標登記代理等職業資格

四、上海實施職業資格情況

- (一) 由市人事局會同相關業務主管部門組織實施
 - 市人事局責成上海市任職資格考試中心組織上海的考試考務工作
 - 業務主管部門負責註冊管理、繼續教育
 - 考試和培訓分開，培訓自願參加
- (二) 根據上海的需要，部分職業資格在上海先做先試

- 目前已經推出了人才中介、工程設備監理工程師、獸醫、信息管理、汽車運用工程師和招標工程師等職業資格制度
- 今後將根據上海的發展，更多地推進職業資格制度的試行

(三) 取得資格申請程序

- | | |
|---------|--------------|
| 1. 自我評估 | 2. 單位確認 |
| 3. 申請報考 | 4. 資格審查 |
| 5. 考試 | 6. 合格人員發證 |
| 7. 註冊登記 | 8. 繼續教育及再次註冊 |

(四) 執業資格的幾個具體問題

- 居住地報考的原則
- 境外居民或外籍人士的報考問題
- 有執業資格人員的異地註冊問題

五、內地與香港職業制度比較

- 內地大部分執業制度是國家制度，其制定、授證、註冊由國家規定，地方自主權相對較低
- 內地的職業資格制度由行政規定，自上而下
- 內地行業協會尚處萌芽狀態，未形成獨立的活動能力 [圖](#)

（以上資料由上海市人事局專業技術人員管理處凌永銘副處長提供，謹此鳴謝）

CONGRATULATIONS TO THE FOLLOWING WHO WERE ELECTED AS HKIS MEMBERS ON 20 FEBRUARY 2003

FELLOWS (3)

BS DIVISION

WONG PUI YEE

GP DIVISION

LIU YUK CHO WARREN

QS DIVISION

LAM CHI MING STEPHEN

MEMBERS (155)

BS DIVISION

CHAN HIU PAN
CHAN KA MAN
CHAN WAI CHEUNG
CHAN YUK KIT
CHENG ALVIN TSZ KIN
KWOK TAK KIT
LAI KWAN HONG
LAU LING YEE LINY
LAU YIU CHEUNG IVAN
MOK SHEUNG CHUNG
NG SIU LUN
SHIU WANG
SUEN CHI MING JIMMY
WU WING KIN
YIM CHI KEUNG

GP DIVISION

CHAN LAN SUM THERESA
CHAN LOK KIN
CHAN MAN KUEN
CHAN WING FUN JOANNAU
CHEN HUNG
CHENG WAN YEE WENDY
CHIU SO MUI
CHOY MEI LING APAL
CHOY TAK SHING
CHUI KIN MAN
CHUNG HON YAN
CHUNG KWOK WAI
CHUNG PING FAN
FUNG YI
HO CHI KIN
HO HAU YAN
HO KA WAI ROSSETER

HUI HO KUEN
IP HO WANG
KO WAI TAT
KUNG CHUNG WING
KWO MAN HANG
KWOK KIT HUNG
KWOK NGOK CHUNG
KWOK SUK KUM
KWOK WAI YAN
KWONG YUEN LIN LILY
LAI SAI BONG
LAM HO MAN
LAM KAM HEI
LAM KWOK HUNG
LAM TSUI TSUI
LAU JAT NAN
LAU WAI SUM
LEE KIN KI
LEE SHUK FUN
LEE WAI SUM
LEUNG HO KIU DESMOND
LEUNG KING NGAI
LI TING
LIU SIN YU
LO SIU YAN
LUI NGAI FAI
LUI SHIU HONG
LUI SIU PAN
MAK KA SHUN
MAU SUET FAN
NG HOI TING
NG KING MAN
NG MEI YEE
NG MING CHUN
NG PING TONG
NG SUI LING
NG YUEN CHUN
SEE KWAI PAN
SIN KA YAN
TANG HOI TIM
THAM MEI LAN JULIANA
TONG KAM KONG JAMES
TONG WAI KIN KENNETH
TSANG WAI HUNG
WAN KIN HO
WONG KA CHEUNG MARCO
WU KAN CHI

YAU CHUN FAT
YEUNG YING WAI
YU SIU YEUNG ANDREW

LS DIVISION

LEUNG YUEN LING JOANNA

QS DIVISION

BATTERSBY, JOHN RICHARD
PHILLIP
CHAN CHAU PING
CHAN CHING KONG
CHAN KA WAI
CHAN PUI YIN PEARLIN
CHAN YUEN LING
CHENG WUN MING
CHEUNG MIU FONG
CHEUNG WAI KUEN
CHEUNG YAN YIU
CHOI MING HANG EDMUND
CHUNG CHI NGAR
CHUNG CHUN MING
FONG FU TAK
FUNG KAI LOK
FUNG KWOK FAI
FUNG KWOK WAI
HO CHI SHING
HO KA YEE
HO SUI KUN
HO WAI MAN
IP HING LAM
KAN CHAK CHUEN
KO CHUN WA JOHNSON
KWAN CHI KIN ANTHONY
LAI CHUN KIT
LAM KAY CHING
LAU KWOK ON
LAU YUEN YI STACEY
LEE CHI HO
LEE KAM HONG
LEE KWOK WING
LEE WAI LEUNG DEREK
LEE YAT YUNG
LEUNG CHI KAM PATRICK
LEUNG CHI WAH RAIMOND
LEUNG KWOK LING
LEUNG MEI YUNG
LEUNG PING YEE

LIN WAI YIP GARY
LO YEE LING ELAINE
MACK HON WAH
MAK CHI KEUNG
NG CHI HANG
NG KA YIN
PANG KWOK HANG
SE-TO CHI MING
SIU KIN MING
SO KIN HO TERESA
SUM WAI HON DANIEL
TAI LAI SZE
TAM OI LIN
TANG YIU KAU
TSANG WAI KEUNG SAVIO
TSE OI PING
WONG CHI NAM
WONG CHUNG LUN
WONG CHUNG PAK
WONG KIN WAI
WONG OI YAN JENNY
WONG PUI HANG
WONG SHAN LING
WONG SHU KAU
WOO KWAN YEE
WU CHUN YEUNG FREDERICK
YIM PUI YEE
YIM WING KIN
YIP WAI LAM WILLIAM
YIU MIU LING
YIU WUN CHEONG
YIU YIN HANG
YUEN SHING WAI

RESIGNATIONS (9)

CHUNG YUEN MEI
HARDING, ROGER GRANGE
LAM KA PING
LAW SHUK WUN
LO MAN YAN, LUVINNA
POPE, ROBERT DOUGLAS
RUXTON, ALAN GEORGE
WAI WING HING
YEUNG SUK MING

HKIS MEMBERS EXPUNGED

FOR NON-PAYMENT OF SUBSCRIPTIONS 2002/2003

Approval was given by the General Council to expunge the following members for non-payment of subscriptions for the year 2002/2003 with effect from 2 April 2003

DIVISION	NAME	HKIS NO.	CLASS
BS	CHAN, KAM CHI	84045	STUDENT A
BS	CHAN, WAI KIT	82709	STUDENT B
BS	CHOW, KOON MING ALEX	81978	STUDENT B
BS	DAVIES, HILARY ANN	2921	FELLOW
BS	FUNG, BO SHAN	82033	STUDENT B
BS	HUI, LOK SHAN	83690	STUDENT B
BS	HUI, WING WAH	83608	STUDENT A
BS	LAI, TSZ KI	82916	STUDENT B
BS	LEE, YIU CHUNG	83552	STUDENT B
BS	LEUNG, SHIU HONG	0055	FELLOW
BS	LO, HAY MING	82104	STUDENT B
BS	LOMAS, DANIEL WILLIAM	1715	MEMBER
BS	MA, CHIN WAI	80542	STUDENT B
BS	PUN, CHUN TING	80466	STUDENT B
BS	SHEA, CHI KONG KEVIN	81004	STUDENT B
BS	TANG, NGAR SZE ALICE	81056	STUDENT B
BS	WAI, CHUNG MING	82136	STUDENT B
BS	YEUNG, CHEUNG MO	84280	STUDENT B
BS	YEUNG, CHUN KIT	83617	STUDENT B
BS	YIP, KAR SING	83291	STUDENT B
BS	YIP, PO YU	84180	STUDENT B
GP	CHAN, CHIN YEE	82510	STUDENT B
GP	CHAN, CHUNG KAY	3413	MEMBER
GP	CHAN, HUNG SHING	83896	STUDENT B
GP	CHANG, SIU MING	83611	STUDENT B
GP	CHE, YAU LIN	80580	STUDENT B
GP	CHEE, GILLIAN	82696	STUDENT B
GP	CHENG, KWOK WING	81914	STUDENT B
GP	CHEUNG, CHI CHUNG	82514	STUDENT B
GP	CHOW, KWOK KEI	81640	STUDENT B
GP	DUNCAN, BENJAMIN MARK	2874	MEMBER
GP	FRANCIS, OLIVER	82714	STUDENT B
	ALEXANDER WAKEFIELD		
GP	IP, CHUN YING DANNY	0707	MEMBER
GP	KWAN, KEI WAI BENNY	81070	STUDENT B
GP	LAM, WAI KIN	81349	STUDENT B
GP	LAM, YUEN KWAN	84064	STUDENT B
GP	LEUNG, KA CHI	82940	STUDENT B
GP	LEUNG, KIN MAN	80838	STUDENT B
GP	LO, YAU CHEUK LOUIS	1249	MEMBER
GP	LOCK, PUI SZE JOSIE	83380	STUDENT B
GP	MORRISON, MARK NIGEL	84053	STUDENT B
GP	NG, KAI TUNG THOMAS	81106	STUDENT B
GP	O'DONOGHUE, RORY ST. JOHN	0440	FELLOW
GP	PATERSON, MARK DAVID LEWIS	3118	MEMBER
GP	SETO, CHUN HUNG	0899	MEMBER
GP	SZE, CHO KAP	80625	STUDENT B
GP	TAM, KING CHUNG	81644	STUDENT B
GP	WALKER, ROBERT CHARLES	2187	MEMBER
GP	WONG, CHEUNG SING	82215	STUDENT B
GP	WONG, KUO HSIN	82029	STUDENT B
GP	WONG, KWOK WAI	81060	STUDENT B
GP	YAO, WEI	82328	STUDENT B
GP	YAU, SIU LUN EDWARD	83382	STUDENT B
GP	YEUNG, CHI HO	82704	STUDENT B

DIVISION	NAME	HKIS NO.	CLASS
LS	LAI, CHEUK HONG	82459	STUDENT A
LS	LI, KWAI WAH	0290	FELLOW
LS	TSANG, YIN SHAN	82491	STUDENT B
LS	WONG, KAM YAN	83978	STUDENT A
QS	CHAN, CHESTER	84112	STUDENT B
QS	CHAN, CHI KEUNG KAMVEY	81604	STUDENT B
QS	CHAN, HOK MAN	82963	STUDENT B
QS	CHAN, YUEN KI	83320	STUDENT B
QS	CHANG, TSZ MING	83672	STUDENT B
QS	CHEUNG, CHUNG YAN	82279	STUDENT B
QS	CHEUNG, KAU WONG ALBERT	83979	STUDENT B
QS	CHEUNG, KIN MAN	83942	STUDENT B
QS	CHING, KAN LEE	80747	STUDENT B
QS	CHU, KAI KWONG	82154	STUDENT B
QS	CLEARY, TERENCE JAMES	1282	FELLOW
QS	FOK, YUI KEUNG GARY	81770	STUDENT B
QS	HILL, CHRISTOPHER HAROLD	2452	FELLOW
QS	HO, CHI YIN WILSON	83142	STUDENT B
QS	HORNBY, PHILIP ANDREW	83299	STUDENT B
QS	IP, CHIU YIN	83870	STUDENT B
QS	JAMIESON, BRETT KERR	3357	FELLOW
QS	KWAN, SHUK YIN	83826	STUDENT B
QS	KWONG, SAI KIT	84027	STUDENT B
QS	KWONG, SIU WING	83697	STUDENT B
QS	LAM, KIN TIM	81893	STUDENT B
QS	LAM, PUI LING	84204	STUDENT B
QS	LAM, YIU CHEONG	81787	STUDENT B
QS	LAU, WING KEE	83146	STUDENT B
QS	LAW, HEI YIU ANGELA	81929	STUDENT B
QS	LAW, KEVIN	82423	STUDENT B
QS	LEUNG, LOK WAI	84192	STUDENT B
QS	LEUNG, TIK KI	83872	STUDENT B
QS	LEUNG, WAI CHEUNG	80482	STUDENT B
QS	LEUNG, YUET NGOR ANNY	1453	MEMBER
QS	LUI, KA YIN	82064	STUDENT B
QS	MAK, KOON HUNG PATRICK	82907	STUDENT B
QS	NG, PO FAN	83153	STUDENT B
QS	NG, SHUK LING	81326	STUDENT B
QS	POON, WAI YEE VIVIAN	83538	STUDENT B
QS	RAFTERY, JOHN JAMES	2249	FELLOW
QS	REID, JOHN	83712	STUDENT B
QS	RITCHIE, JANE	2613	MEMBER
QS	SO, KWAN WAI	81566	STUDENT B
QS	SPEED, KARL ROBERT	83760	STUDENT B
QS	SUETT, PAUL WILLIAM	0697	FELLOW
QS	TANG, CHUN TING	81419	STUDENT B
QS	TANG, TAK MAN	83184	STUDENT B
QS	TANG, WING CHUEN	81550	STUDENT B
QS	VONG, MAN IUN	82682	STUDENT B
QS	WILLIAMS, ROBERT MICHAEL	2919	MEMBER
QS	WONG, AH YEE	2917	MEMBER
QS	WONG, CHEUK HUNG	82869	STUDENT B
QS	WONG, CHING FU	84186	STUDENT B
QS	WONG, WAI MAN GORDON	80707	STUDENT B
QS	YIP, HANG KUEN	83736	STUDENT B

APC in *Winning Style*



Reported by Emily Ling and Jenny Chung

On 22 February, six young surveyors Joyce Ng, Thomas Lui, Evelyne Fung, Kent Lam, Cindy Liu and Horry Ip replayed their performances in the last APC (GP) interview, which got them qualified. Over 50 student members packed into the HKIS conference room and gained valuable experiences from the outstanding presentations by these six APC winners.

APC statistics show that the APC success rate has no connection with the number of attempts. Practice doesn't make perfect, the saying, perhaps, true for the APC interview. However, from the performance of our six speakers - incidentally all of them passed the APC at their first attempt, their success was more than mere luck. Candidates need better skills and strategies to succeed in APC.



Joyce Ng of Swire Properties, our first speaker, showed how her meticulous efforts in compiling and analyzing comparables to support her valuation exercise for a West Kowloon auction site had paid off. Moreover, her presentation board was dotted with colourful illustrations.

Thomas Lui, ex-estate surveyor graduate of Lands Department, tackled a rather difficult lease modification case. But he managed it well by displaying a high level of skills



in presenting his valuation approach. He reminded all candidates to keep updated with the latest property trend. There was one notable transaction of a property being not far from his project just a few days before his interview. One assessor questioned him on this transaction during the interview, obviously in relation to his comparable adjustments in the project. His strong market sense had saved his day.



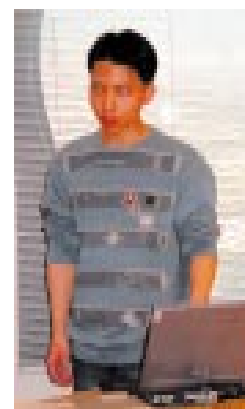
The third presenter was Evelyne Fung of Rating and Valuation Department. She presented a valuation case for stamp duty purpose. Her presentation skills were just amazing, but there was more to learn from her. In the interview session she was asked about the site slope and its impact to redevelopment value. Although it was an unexpected question, she dealt with it with ease. She replied that if the building was on a deep slope, there would be a negative effect on the value for the shop podium. But in her project, since it was only a gentle slope, she considered the impact minimal. She got the nod.



After three wonderful presentations, Dr. Ken Lam of DTZ shared his experience of how he prepared his APC from the day he started compiling the project report to the interview day. An


interesting piece of advice from him was that the dress code, hairstyle and manner of the candidate in the interview could be a big swing factor.

The presentation from Cindy Liu of FPD Savills was enlightening, as she presented her high-end residential redevelopment project in South Bay. For each redevelopment option she was able to show a full calculation schedule supported by comparable analysis.



Our last presenter, Horry Ip of Jones Lang LaSalle gave a presentation on a tender sale for a residential block. Amongst all the presenters, he was the only one using PowerPoint for presentation.

(Remark: a notebook computer is now allowed in APC presentation). But a technical glitch with the projector caused delay in his presentation, demonstrating that there is always an uncontrollable problem with the computers.

During the seminar, students raised a lot of questions, acting very much like the APC assessors. But for our speakers, who were on their way in making an application for HKIS corporate membership, the nerve-racking moment had well passed. They were all smiles while in answering - the only thing, you may say, different from their real APC performances. 

Learning to Lead

- One-day Leadership

Training Day on 23 February 2003

Alone we can do so little; together we can do so much.



Reported by Raymond Ho and Sam Chiu

"No Pain, No Gain," the chanting roared louder through the echo in the valley. Sixteen members were charging up the steep climbs towards the top of Needle Hills. They shouted out to cheep up the team spirit.



On 23 February, 16 members organised a one-day leadership training at Shing Mun Reservoir Country Park. Led by Andy Lai, a former training officer of the British Army, and his team most of whom had a previous military background, we were assigned to the commanders' roles and each led a small team to complete several "deadly" missions. For example, we had to lead the team to crawl through a landmine, zigzag across the river deep in the bush and move the heavy artillery across the valley. At one point we had to race up to the towering Needle Hill from ground zero. The action-packed event was harder than



we expected. It was grueling, physically demanding, but hugely rewarding as we gained valuable insights on how to be an effective leader in a difficult terrain and under pressure.


"I enjoyed the event. I think the step for a leader to tell his plan to the team before the task is very crucial," says Alan Lo, Assistant Leasing Manager of Swire Manager, reviewing his performance in leading his team to climb over a 7-meter stonewall.

"Leadership attributes should not be only confined to people who lead. As a team player, if we are proactive, willing to shoulder responsibility and supportive to others, we can strike a different team result and deliver a much better performance," shares Simon Poon, Senior Valuer from DTZ Debenham Tie Leung.

The event was wrapped up with a sensational sharing from Mr Thomas Ho, MTR Corporation Property Director. Mr Ho came all the way from



his North Point church to the country park and shared his working experience and insights on leadership. He encouraged us to set goals at different stages of life and achieve these goals with the greatest diligence. He told a good leader should have vision, delegate authority and foster creativity in the team. He aspired his leadership style to be of a "team builder". (More of Mr Ho's viewpoints can be found at this month's Meeting Point)

With vision and courage, even the Himalayas Mountain could be seen as a knoll in eyes. 



Creating Value through Outsourcing Valuation Works



In an era of sluggish growth and uncertainties, outsourcing is viewed by many corporate officers as the ideal answer to create value for their company - an option which promises cost savings, better reach to expertise and most importantly, the ability to concentrate on the company's core competencies.

In respect of property valuation, banks are exploring the direction to outsource valuation works to surveying firms and the trend has become clear nowadays.

Back in the early 1970s, most local banks used to have their own valuation departments. Valuation reports for mortgage lending purposes were largely compiled in-house.

From the 80s onwards, foreign banks began moving into Hong Kong and flexed their

(PRIVATE)	In-house valuation team professional surveyors	Outsourcing valuation services to
Credit and risk analysis	* Generally facilitate more tailor-made credit and risk analysis, but rarely posited to provide higher-level strategic views to the corporate levels.	* Provide independent and objective valuation opinion. * Always act with integrity and in an ethical manner.
Expertise	* Tend to focus on certain areas to align with the bank's growth strategy, but less sophisticated in providing solutions to intra-departments.	* Wider areas of expertise and competencies to satisfy clients' differing needs.
Service flexibility	* Flexible in assisting business growth for the banks, for example, by extending service hours on weekends, but add costs in the form of overtime payment.	* Develop innovative services to their clients such as online valuation service portal.
Cost saving	* Fixed cost on salary and fixtures not easily adjustable.	* Offer not only reasonable charging rates but also quality service delivery.
Accuracy	* Encounter no big problem in valuations for mass residential estates, but the task is getting difficult in other areas where transactions are thin.	* Meet the high demand for accurate valuation opinions; and their services require to be insured with professional indemnity insurance.
Leverage skill base	* Cannot easily leverage their skills to acquire businesses from third parties.	* Enable banks to develop their competitive competencies and leave room to leverage surveying firms' wider skill base and international reach.

Table 1 In-house vs. Outsourcing

muscles in the growing and lucrative home loan market. Unlike their local counterparts, most of them relied on external valuation services being provided by chartered surveyors. This trend has since set the stage for contracting out valuation works in Hong Kong.

However, the property slump following the financial crisis five years ago has seen a dwindling home loan market. With the underlying low demand for property-related lending, most banks are intensively reducing interest spread to compete. In the meantime, banks are exploring more and more fee-based products to compensate the thinner-than-ever margins from the weakening property lending businesses.

Banks on the one hand keep their operations efficient and cost-effective; and on the other hand they rely more on innovative banking products to drive top-line revenue growth. As a result, the inexorable rise in capital outlay for various projects and the fierce competition has augmented the trend for banks to outsource non-core business processes. One example could be outsourcing their valuation works to external surveying firms.

Drawing my experience from working with bank clients in the past few years, there is a

strong case for outsourcing valuation works to external professional valuers for the following reasons:

- Reduce operating costs
- Achieve a higher degree of independence in respect of valuation figures
- Enable the bank to deploy more resources into its core business
- Mitigate risks of fluctuating demand for property valuations

However, outsourcing valuation works is not as simple as comparing a few quotes from surveying firms, signing service contracts and then deploying the existing staff to different departments. Banks need to look to surveying firms for their unique expertise to meet with the organization's specific needs. In order for banks to achieve cost-reduction goals as well as enjoy the benefits brought by ongoing innovation in service deliveries, the surveying firms need to keep investing in people, facilities and technology as well as looking for ways to improve the practices. Therefore, it is of fundamental importance of finding the right partners who understand the bank's goals and values.

Outsource is seen as an end of internal business

process, but is the beginning of partnership with the surveying firms. Contract signing and regular reviews are essential to ensure both sides commit to this outsource as a way to continue this business process. A good relationship must be maintained with the key points of contact at both sides - surveying firms should normally allocate customer relationship manager (CRM) to understand and handle all related matters; and banks should treat the surveying firms as long-term strategic partners in order to achieve mutual respect.

The trend of outsourcing is moving fast, but the role of surveyors working in banks should not be under-estimated. In fact, a few US banks in Hong Kong have recently brought in experienced surveyors to overlook their property collaterals and to provide internal advice on new mortgages being acquired by the banks. This expertise role can make sure all these new acquisitions compile with their headquarters' credit and risk policies; and provide an effective communication channel between the bankers and the external valuers.

All in all, surveyors are always serving instrumental functions to ensure financial institutions operate with a comfortable level of confidence in the Hong Kong property market. [ib](#)

Sharing Our Experience

in IPO Property Valuations



Introduction

IPO (Initial Public Offerings) refers to company share subscription activities where the public (public or minority shareholders) could be involved in the initial formation of a public company, which is to be listed through the Stock Exchange system. Due to the direct participation of the public, the government is obliged to exercise and maintain control of the entire IPO process and, in Hong Kong, SFC (Securities & Futures Commission) is the independent statutory body responsible for safeguarding market integrity, enforcement of securities and futures market legislation, investor protection and market oversight, in particular the oversight of operations of HKEx (Hong Kong Exchanges and Clearing Limited), HKEx's subsidiaries and financial market intermediaries. SFC is also responsible for matters relating to the conduct of Exchange Participants, new investigations and disciplinary matters concerning disputes between participants and clients.

Guidance Notes on the Valuation of Property Assets

Companies seeking a primary listing, whether incorporated in Hong Kong or outside, must

comply with the Listing Rules, the Codes on Takeovers and Mergers and Share Repurchases issued by SFC, and other applicable ordinances. All listed companies are subject to regulation by the Stock Exchange on an equal basis. With reference to Chapter 5 and Practice Note 12 of the Exchange Listing Rules, valuations of and information on all the issuer's (or, in the case of debt securities, if applicable, the guarantor's) interests in land or buildings ("properties") are required to be included in a listing document issued by a new applicant. Unless dispensation is obtained from the Exchange, all valuations of properties must be prepared by an independent qualified valuer for the purpose.

Basis and Methods of Valuation

According to Chapter 5 of the Exchange Listing Rules, all valuation reports must contain the necessary details of the basis of the valuation, which must follow the "Hong Kong Guidance Notes on the Valuation of Property Assets". These bases and methods of valuation are as follows:

- OMV (Open Market Value)

"The best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation" - by the "Hong Kong Guidance Notes on the Valuation of Property Assets, 2nd Edition"

- DRC (Depreciated Replacement Cost)

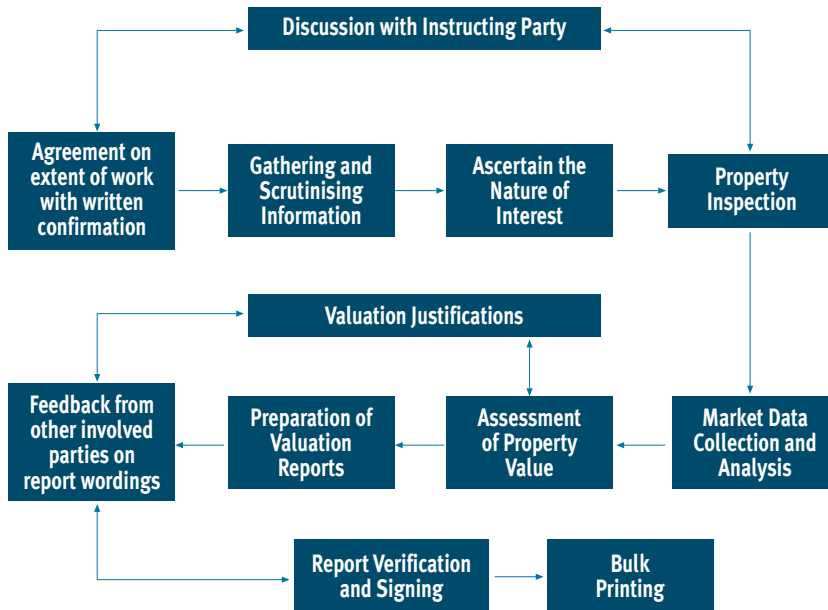
The DRC basis of valuation is used for the valuation of specialised properties, for which evidence of comparative transactions does not exist. This basis is widely used for valuing properties located in the PRC where the secondary market is still at a premature stage.

Various methods of valuation are being adopted in order to value different types of properties or developments, which are shown below:

- Comparison Method
- Investment Method
- Residual Method
- Discounted Cash Flow
- Profits Method
- Contractors' Method

Valuation Procedures

The following shows a normal workflow for a usual IPO valuation job:



Discussions with Instructing Party/ Agreement on extent of work with written confirmation

This is the starting point of everything and could be the most important stage, not just because of the fee agreement, but also an opportunity to "listen" to the clients on their requirements. An experienced valuer can differentiate himself/herself by clearly pointing out the correct work procedures and schedule to the client and, very often, correct the client on misconceptions about valuation approaches and methods. This would help in avoiding future misunderstandings about the scope of work. A carefully prepared

instruction mandate, setting out the details of the subject of valuation and the adopted valuation approach and methodology will

allow the client (and the co-ordinating financial adviser) to have a better understanding of the relevant work path ahead.

Gathering and Scrutinising Information

This could be the most painful stage and "a good begun is half done". After securing the mandate from the client, valuers normally start by asking for relevant property information such as property address, particulars of occupancy, tenancy schedule, copies of title deed, etc. from the client. Younger valuers are reminded that the clients may not have enough property knowledge in understanding the

valuers' requirements and therefore the valuers should speak the same language (laymen's) of the clients. This could involve a second meeting between senior members of the client company and the valuer, during which a careful explanation of "what and why" can be presented to the client. A complete understanding and full co-operation from the client (particularly the co-ordinating staff) would definitely help in shortening the path of this work stage.

Ascertain the Nature of Interest

In a normal situation, this could be an easy task if the properties involved are located in Hong Kong, thanks to the good land registration system. If there are overseas properties involved, valuers would usually exclude the title search works from their function, however, they would still need to have a basic appreciation of the implications on property values due to the differing nature of interest in other countries. For instance, the freehold interest system exists in Singapore and similar properties may have different values due to freehold and long-leasehold differences. In the PRC, the land registration process is cumbersome and the omission of a certain step (or a certain "paper with red chop") may mean a total nullity on values. In Taiwan, land and buildings are registered separately and this system has a direct impact on valuation approach and therefore property values. The rules of the HKEx require that legal opinion from qualified local legal advisors be sought on property titles/nature of interest in the case of properties located in developing countries. Translation of the title document from a foreign language (for instance, Thai) into the English version is also required.

Property Inspection

This could be a relatively straightforward exercise, but is a costly process due to the need for travelling and lodging in case of valuing overseas properties. The HKEx rules require that all properties to be included in IPO documents should be inspected by valuers. Therefore, properties (local as well as overseas) including owned and rented properties should receive the same property inspection treatment. Obviously, this process could be a decisive factor in the determination of the valuation fee and by which local and international valuation firms may differentiate themselves in terms of economy of scale (by operating overseas offices).

Market Data Collection and Analysis

This part is the backbone of the entire valuation process. Nowadays, thanks to the advancement in Information Technology, property market information is considered plentiful and easily accessible. Subscriptions to web-enabled property transactional databases are relatively cost efficient (when compared with an in-house constructed and maintained database system). All of a sudden, the so-called "secrets of trade" of valuers are opened up to anyone willing to pay for subscriptions. Free and hearsay market news is also flourishing in the newspaper and magazines. In today's market, valuers should exhaust all relevant property market data, carefully choose appropriate comparables, carry out inspections, professionally apply suitable adjustments, and, in the end, be prepared for counter-arguments on values by the client as well as the HKEx using their pieces of market information.

Assessment of Property Value/Preparation of Valuation Reports

This part is the flesh and blood of a valuation job. Valuers, after ascertaining the nature of property interests involved, would need to determine the use of various valuation approaches and methods as mentioned above. Meetings with clients and financial advisors are usually necessary at this stage due to their obvious concern on valuation results. Valuers would take this opportunity in explaining the various bases of valuation and underlying methodology to the client to clear up any possible misunderstandings/arguments on issues such as nature of property interest and property values. Carefully presented valuation worksheets could be a good media utilised for discussions and will also be required by the HKEx at a later stage. The bases of valuation as well as the adopted valuation approaches should be clearly stated in the valuation document (normally in the form of a covering letter together with valuation certificates).


Feedback from Client & Other Parties/Valuation Justifications

On receiving feedback from clients and/or other advising consultants within the work team for the IPO job, valuers are advised to carefully consider the merits or demerits of this feedback in terms of the integration of the valuation document into the main IPO prospectus document only. While the valuers should appreciate suggestions on issues such as format and way of presentation, he/she should be mindful of professional ethics and therefore be prepared to decline requests for "compromise" on valuation opinion. Equally, valuers should be well equipped with carefully selected and professionally adjusted comparables in standing by his/her opinion of

values in case of possible enquiries from clients, financial advisors and the Listing Committee of the HKEx.

Conclusion

There are no hard and fast rules or a step-by-step handbook to be followed by valuers in dealing with IPO valuation jobs. The existing governmental rules and regulations are mainly guidelines only that leave professional practitioners with adequate flexibilities in carrying out their tasks while exercising a duty of care and professional integrity at their own discretion. While most professional practitioners fulfill their role and duty of care (not just to the client but also to the public) satisfactorily, there have been, in the past, occasions where "professionalism" was questioned by the public. In the context of professional valuations, there had been questions about the "correctness" and "justification" of opinion of values provided by valuers and there were situations where HKEx requested a second opinion on values.

While overall professionalism is at a satisfactory level, the writer wishes to point out that the trend is towards a "total clarity" approach and the public is becoming more and more demanding on professional quality and disclosure of information. Gone are the days when professional opinion was seldom challenged. Nowadays, professional practitioners including valuers are faced with the added dilemma of fee-cutting competitions and tighter governmental control on practices. There are certainly pitfalls with some valuers practising striking a balance of "professionalism" and "commercialism". However, in our opinion, to advance our profession, we must always put highest best quality above all other issues. 

Strategic Facility Planning - an overview



Kenny CHAN

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 Committee Member, Property & Facility Management Committee, HKIS
 Council Member, Building Surveying Division, HKIS
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Strategic facility planning is an evolving area in Facility Management that enhances an organization's business plan and goals through effective management of the organization's resources e.g. built assets, physical plants, equipments, inventory, etc. in conjunction with other crucial stakeholders such as Board of Directors (policy making), Finance Department (income/expenditure control), Human Resources Department (staffing issues), Vendors (suppliers) etc.

A Strategic Facility Plan (SFP) is prepared on how to use the facilities efficiently to achieve the strategic business plan that converts historical data to help project future needs of the enterprise. It could be a working document that allows presumptions to be checked against actual situation, allows pre-arranged actions to be revised, and allows the ongoing planning to be modified to suit changing demands.

SFP is made trying to minimize potential risk owing to uncertainties ahead. The Facility Manager must be proactive and innovative in being a creative problem solver.

To support corporate business plans in a meaningful way, both public and private organizations should develop long range planning (5 to 10 years), mid range planning

(3 to 5 years) and annual operational planning (1 year) respectively to meet specific needs.

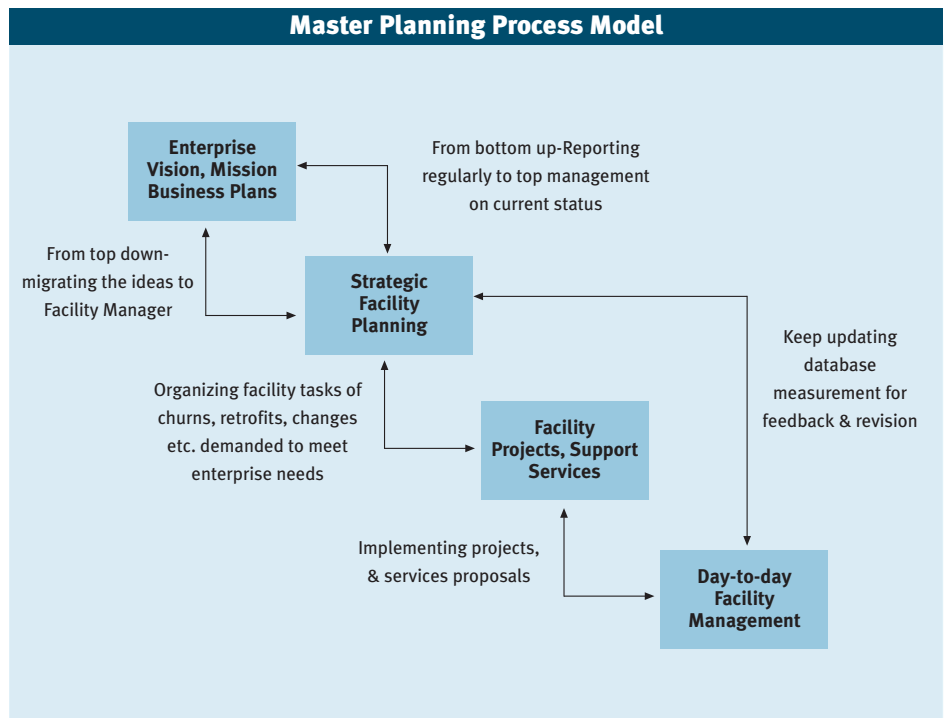
"Strategy is about making choices. Do I serve this customer group or a different one? How are my customers and prospects changing? If my business model was good for yesterday's customers, how does it have to change to keep them?" (Slywotsky, 1996)

The focusing point has changed from traditional strategic planning, which was the inside out, to a focus of outside in. The Facility Manager has to understand what the business

core competencies will be, which customers (both internal & external) the company would ultimately serve, he can then develop a strategy based on these critical factors that support growth of the enterprise.

Companies have to view themselves as part of the business ecosystem as *"The new paradigm requires thinking in terms of whole systems. Seeing your business as part of a wider environment."* (Moore, 1996)

Have you or your organization pursued further with this insight? Some factors that contribute to the need for SFP are changes in organizational plan, changes in the organization, planned moves, facilities retrofit and costs of churn.



Changes in organizational plans could be generated by political pressures, legal updates, global market trend, stakeholders demand, natural disaster and competitive challenges.

Changes in the organization could be caused by re-engineering resulting in new organizational sections being created, and outdated sections being abandoned or amalgamated with other sections.

Planned moves can be across a city, across the country or any corner of the world. These moves may be caused by merger, restructure or downsizing of an enterprise, a non-renewal of a tenancy agreement, or even a political decision.

Facilities retrofit can be planned, for instance, upgrading an old building or installing innovative technology for raising quality services. It can be unplanned, for instance, due to unforeseen enactment of regulation in safety workplace issues, or resulting from a natural disaster such as fire, flood or 911 implications.

Churn concerns with the rate of movement of sections and staff within a facility. This movement could be substantially costly in the reconstruction and reconfiguration within facilities. High churn would be the culture of an organization based on their core business. The Facility Manager has to mitigate the cost of churn, even if the rate of churn itself may not be reduced.

Some prominent results achieved with a SFP include reductions in facility costs,

operation and maintenance expenses, and the cost of churn; enhancing the enterprise to "value for money" and increasing its productivity and production.

A SFP should address management issues e.g. support of the enterprise's business plan and critically scrutinize important questions about efficiency, effectiveness, costs and benefits. Top management may change or modify a previous decision in accordance with updated information that a FM provides.

Based on an article "*Strategic Planning*" in Business Week magazine of August 1996, *Business Ecosystem* is defined as a system in which companies work cooperatively and competitively to support new products, satisfy customers, and create the next round of innovation in key market segments. *Coevolution* is the notion that by working with direct competitors, customers, and suppliers, a company can create new businesses, markets, and industries. *Strategic intent* is tangible corporate goal or destiny that represents a stretch for the organization and the competitive position a company hopes to build over the coming decade. *Value migration* is the movement of growth and profit opportunities from one industry player to another.

One must admit that "changes are perpetual and non-stopping", the planning approach is to adopt a continual movement of changes with a *strategic intent*.


A master planning process model is adopted to demonstrate the cyclical nature of a

strategic facility plan. The facility management department should visit the elements of the master plan regularly and update where necessary.

The following essential procedures in developing SFP are suggested:

- clearly define objectives
- gather information
- collate and produce numeric results
- define functional and qualitative requirements
- perform analysis
- compare supply and demand
- explore options
- develop strategy for change
- produce strategic facility plan
- maintain currency of SFP.

The planning process should start with precise baseline measurement of the organization's existing facilities, moving towards developing program documents similar to that of Facility Management Processes Model (as highlighted in "*Facilities Management-a very brief visit*" HKIS-BSD Newsletter No.17, Kenny Chan).

To what extent has your organization engaged in SFP currently? In view of the demanding customer-oriented services, cost-centred budgeting, value engineering etc., has your organization achieved a competitive edge or competitive advantage out of a successfully implemented SFP? 

Representations That Liquidated Damages Will Not Be Taken



John B MOLLOY

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It is a familiar situation. The works are being delayed by a variety of different causes. The Contractor bombards the Architect or Engineer with notices of intention to claim extensions of time until the contract administrator calls a halt to all the paperwork. Don't worry he says the Employer will not deduct liquidated damages on this project so there is no need to pursue extension of time claims so vigorously, and very often a representative of the Employer attending a site meeting will confirm the same message.

But should a contractor be worried in such a situation?

Well, Shephard Hill Engineering Limited were not worried in a contract where they had been employed by the London Borough of Lewisham to undertake various improvements to its town centre. The contract provided for completion of the works in sections, and as is normal in the event that any section of the works was not completed by the due date the Contractor was liable to pay liquidated damages. In fact

the conditions of contract were based upon the Institution of Civil Engineers 6th Edition, and so were similar to the forms currently in use in Hong Kong.

There were a considerable number of delays to the progress of the works and whilst Shephard Hill notified the Engineer of their intention to claim extensions of time they did not pursue these claims during the course of the works because throughout the contract period various representations had been made by the Employer and the Engineer acting on its behalf to the effect that no liquidated damages would be deducted.

After the completion of the Works Shephard Hill had settled the final accounts of their sub-contractors, and relying on the assurances of the Employer and the Engineer that liquidated damages would not be taken, did not set-off any damages for late completion against sums due to the sub-contractors.

As things always progress disputes subsequently arose as to Shephard Hill's entitlements to extensions of time and the matter went to arbitration.

In the arbitration, Shephard Hill claimed entitlement to extensions of time and loss and expense in respect of the delays to completion of the works, and the Employer counter-claimed for liquidated damages for the delay in the sum of £550,000.00.

Counsel for Shephard Hill argued that the Employer's counterclaim for liquidated damages was estopped because it was entirely inconsistent with everything that was said to Shephard Hill during the project and represented a contradiction of all the assurances received by Shephard Hill.

Estoppel is defined by Osborne's Concise Law Dictionary as:

"The rule of evidence of doctrine of law which precludes a person from denying the truth of some statement formerly made by him, or the existence of facts which he has by words or conduct led others to believe in. If a person by a representation induces another to change his position on the faith of it, he can not afterwards deny the truth of his representation."

The leading authority on estoppel was and still is Hughes v Metropolitan Railway Co a case dating back to 1877. In that case a landlord gave his tenant six months notice to repair the premises. If the tenant failed to comply the lease could be forfeited. A month after the notice, the landlord started negotiations with the tenant for the purchase by the landlord of the residue of the lease. These negotiations were broken off two months later. During this time the defendant did nothing towards repairing the premises. When the notice had run for six months the landlord claimed to treat the lease as

forfeited. The House of Lords held that he could not do so. Lord Cairns said:

"... it is the first principle upon which all Courts of Equity proceed, that if parties who have entered into definite and distinct terms involving certain legal results - certain penalties or legal forfeiture - afterwards by their own act or with their own consent enter upon a course of negotiation that the strict rights arising under the contract will not be enforced or will be kept in suspense or held in abeyance, the person who otherwise might have enforced those rights will not be allowed to enforce them where it would be inequitable, having regard to the dealings which have thus taken place between the parties."

It was on this basis that Shephard Hill argued their case and in support of these alleged representations they identified five documents that it intended to rely on.

In his award the arbitrator held that the two sections of work had been completed 28 and 22 weeks late, which resulted in a potential liability upon Shephard Hill for liquidated damages of £550,000.00.

With regard to the question of the Employer's rights to liquidated damages and in particular the question of estoppel the arbitrator noted firstly that the Engineer's final determination of extension of time due to Shephard Hill had not been made until nearly two years after the

date of substantial completion and secondly that the question of claiming for liquidated damages had not arisen until after the commencement of the arbitration.

The arbitrator placed great importance on these facts, which he thought were compelling evidence that up to that date the Employer had not had any intention to deduct liquidated damages.

He also felt that Shephard Hill was an experienced contractor who would administer their contracts in a professional and commercial manner, and he considered it difficult to believe that Shephard Hill would have failed to rigorously pursue their claims for extensions of time or make final payments to sub-contractors without assurances from the Employer that liquidated damages would not be charged, and without belief in such assurances.


For all these reasons the arbitrator found on the balance of probabilities that the Employer did represent to Shephard Hill that liquidated damages would not be applied and further that Shephard Hill had relied upon that representation to its detriment.

Accordingly he found that the Employer was estopped from claiming liquidated damages for the delays that he had earlier found Shephard Hill to be liable for.

Predictably the Employer appealed the decision of the arbitrator, and the case, London Borough of Lewisham v Shephard Hill Engineering, was heard on 30 July 2001.

The appeal under Section 69 of the Arbitration Act was that the arbitrator had erred in law. In the alternative Lewisham challenged the arbitrator's decision on the basis that the arbitrator lacked jurisdiction under Section 67 of the Arbitration Act, or that there had been a serious irregularity affecting the tribunal under Section 68 of the Arbitration Act.

On all counts the application to overturn the decision of the arbitrator was refused, and the arbitrator's decision remained that having promised Shephard Hill that it would not deduct liquidated damages, the Employer could not later change its mind, notwithstanding the arbitrator's finding that Shephard Hill had been culpable in the late completion of the works.

This case is a salutary lesson for Employers and Architects and Engineers to be careful what representations they make to contractors during the course of the works regarding extensions of time and liquidated damages. 

Contractor Owned Plant - The Cost of Owning - Part I



Brian E RAWLING

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Where a contractor is delayed or disrupted on a project, the delay or disruption may give rise to a claim for additional payment for prolonged working, standing, or idling time for plant. Why, though, should a contractor be entitled to additional payment if its plant is tied up longer on one project due to excusable and compensable events, which are the liability of an employer? The answers are:-

- wear and tear on the item of plant in use;
- lock-up of resources;
- loss of opportunity to earn income with the plant elsewhere;
- business efficacy.

Had the plant been hired then the additional costs for prolonged hire would have been reimbursable as direct loss and/or expense (the HKIA Standard Form of Building Contract). There should be no difference when it comes to contractor-owned plant.

This article, the first of a three-part series, considers some of the complications in assessing financial claims for contractor-owned plant and why, in BERA's opinion, a common sense and business-like approach should be taken to assess the cost of owning plant. Part two of this series considers capital lock-up, replacement and earning potential in times of inflation or deflation. Part three considers plant operating costs and their relationship to owning costs.

To help explain the principles, a worked example is used for a Caterpillar 330L hydraulic excavator purchased new in 1996, by DIG Ltd, for a delivery price of HK\$1,400,000 (i.e. the all-in cost). A similar philosophy can be used for other items of plant, including plant, which was not new, when it was purchased.

The cost is calculated on the basis that the excavator was to be used on projects where optimum productivity had to be achieved.

Legal Authority

One practical solution to assessing the cost of owning plant would be to use a fair hire rate as the basis of the financial claim. However, this approach was rejected by the English courts. In *Alfred McAlpine Homes North Ltd v Property and Land Contractors Ltd* (1995) 76 BLR 59, the judge considered an arbitrator's ascertainment of a claim by reference to reasonable hire charges. The contract was on the JCT Form of Building Contract, 1980 Edition which has similar wording to clause 24 of the HKIA Standard Form of Building Contract for the ascertainment of direct loss and/or expense. Lloyd, J had this to say:

"That in ascertaining direct loss or expense under clause 26 of the JCT conditions in respect of plant owned by the contractor the actual loss or expense incurred by the contractor must be ascertained and not any hypothetical loss or expense that might have been incurred whether by way of assumed or typical hire charges or otherwise".

Lloyd, J went on to hold that "to ascertain" meant to "find out for certain". This judgement was a correct interpretation of the word "ascertain" but presents practical problems as reviewed in this article.

The actual cost of owning plant can cover an array of items including depreciation, interest on the money invested and maintenance. All are supported by legal precedents (see *B. Sunley & Co. Ltd v Cunard White Star Ltd* [1940] 2 All ER 97). Many variables influence each item making it impossible, in BERA's opinion, to ever "find out for certain" the actual cost incurred by a plant owner until the item of

plant is sold and all expenditure can be collected together.

Although it was not a case referring to plant costs, it was interesting to read the judgement in the case of *How Engineering Services Ltd v Lindner Suspended Ceilings Floors and Partitions* (1999) 64 CLR 67 where the meaning of "ascertainment" was watered-down by Dyson J to include, in appropriate instances, the "exercise of judgement".

Plant-Owning Cost

To obtain a return on its investment in the excavator, DIG Ltd must be able to recover, over the life of the item of plant, the following:-

- the difference between the delivery price and the residual value (i.e. depreciation);
- the other costs of owning the excavator such as finance and insurance;
- capital lock-up (considered in next month's article);
- replacement provisions and inflation / deflation (considered in next month's article); and
- overheads and profit (considered in next month's article).

Depreciation

If the excavator is purchased for a specific project and later sold at the end of that project then the cost of depreciation may be calculated based on invoiced transactions and the duration of the project. However, where the excavator was owned for a number of years and worked on different projects then the cost of depreciation, at any one time, i.e. when the claim effects started and then, again, when they finished, is not a matter for "ascertainment" as the cost can only ever be "assessed".

Useful Plant Life

Many factors affect depreciation - we will start first with the useful plant life. This is normally expressed in plant hours ("p.h.'s") and is related to the useful plant life, which will vary according to a number of factors, not least:-

- the types of jobs and operating conditions in which the excavator has worked;
- the degree of care and skill taken by the operator;
- the quality and extent of maintenance; and
- the efficiency and productivity required.

The Caterpillar Company is unique in that it produces annually a handbook, which is very detailed. Until a contractor can build up a history of plant performance from its own experience, the handbook can be used as a guide to plant costing. The Caterpillar Performance Handbook (1995) refers to the useful plant life for three operating conditions for a 330L hydraulic excavator i.e.

		p.h.'s
Moderate	Shallow depth utility construction	15,000
Average	Sandy clay / sandy gravel site formation works	12,000
Severe	Hard digging in rock or shot rock	10,000

In BERA's experience, the useful plant life in the Caterpillar Handbooks is associated with the levels of productivity also provided in the Handbooks. Plant can survive longer than the recommended useful plant life but it will not perform at optimum productivity or efficiency in later years. At the end of the useful plant life, the excavator can be reconditioned, scrapped, or downgraded to less demanding work. Either way, there is a residual value.

DIG Ltd's excavator was expected to operate in average to severe working conditions (i.e. a plant life of 11,000 p.h.'s). This was an informed estimate based on a projection of DIG Ltd's expected future workload. But beware! The range is wide - an excavator working in severe conditions will have 2/3rds the useful plant life of an excavator operating in moderate conditions.

Residual Value

There is then the excavator's re-sale or trade-in value to consider (the residual value). This will vary greatly according to the physical conditions and operating history of the excavator and whether it is to be reconditioned, scrapped or down-graded.

	<u>HK\$</u>	<u>HK\$</u>
Delivery Price	1,400,000	
Allow 25% depreciation for 1st year	<u>350,000</u>	350,000
Value of excavator at end of 1st year	1,050,000	
Allow 25% depreciation for 2nd year	<u>262,500</u>	262,500
Value of excavator at end of 2nd year	787,500	
Allow 25% depreciation for 3rd year	<u>196,875</u>	196,875
Value of excavator at end of 3rd year	590,625	
Allow 25% depreciation for 4th year	<u>147,656</u>	147,656
Value of excavator at end of 4th year	442,969	
Allow 25% depreciation for 5th year	<u>110,742</u>	110,742
Value of excavator at end of 5th year	332,227	
Allow 25% depreciation for 6th year	<u>83,057</u>	83,057
Residual value of excavator at end of 6th year	<u>249,170</u>	
Total depreciation		<u>1,150,830</u>
Plant life		÷ 11,000 p.h's
Hourly depreciation (average)		<u>\$104.62 / p.h</u>

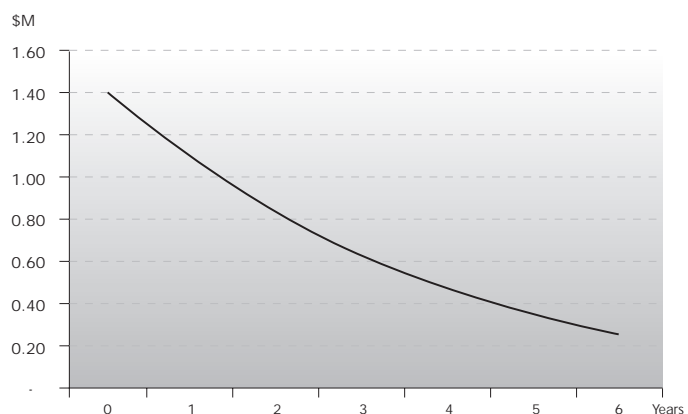


Figure 2 - Depreciation on the written down value method

Moreover, in a restricted market place such as Hong Kong, the residual value will also depend upon market forces as, if there is no work for the excavator, then the price for which it could be sold would be less than it would be if there was ample work for it.

If the excavator is purchased from new, and replaced at the end of its useful plant life, a

residual value of 15% (excluding external factors) is a rule of thumb allowance. Actual re-sales and re-sale attempts will provide an indication of a fair residual value but once again there is a wide range.

Depreciation - Methods of Assessment

Consider then the methods of assessing depreciation. The Caterpillar Performance

Handbook recommends a simple straight line write-off based solely on the number of years or hours that the owner expects to use the plant gainfully (see **Figure 1**). In this way, provision is made for plant depreciation including wear and tear.

Delivery price	\$1,400,000
Residual value (15%)	(\$210,000)
Depreciation	\$1,190,000
Plant life	÷ 11,000 p.h.'s
Hourly depreciation (average)	\$108.19/p.h.

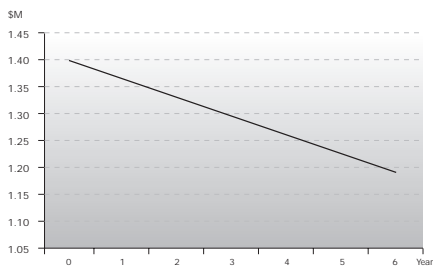


Figure 1 - Straight line method of depreciation

Alternatively, depreciation can be calculated on the written down value method illustrated in **Figure 2**.

The method in **Figure 2** reflects the fact that plant (like a car) can depreciate most in the early years. Therefore, rather than an average depreciation cost over the 11,000 plant hours, an average per annum can be calculated. However, where a claim includes several excavators this is rather impractical, as there would be a different unit cost for each excavator dependent upon age/ usage.

The example in **Figure 2** produces an average hourly depreciation very close to the straight-line method of depreciation as similar data was used.

There are two practical problems with the method at **Figure 2**. First, no published tables exist for the yearly depreciation of plant (at least BERA are not aware of any). Second, the

method also introduces a further variable to the depreciation calculation, i.e. the age of the plant.

Relationship Between Age and Plant Life

Many textbooks refer to an average of 1,800 p.h.'s per annum for calculating the cost or age of an excavator (i.e. plant life of 11,000 p.h.'s (1,800 p.h.'s per annum = 6 years). This may not be correct. An excavator, which works double shifts, will clock up plant hours a lot quicker than an excavator on intermittent use. Therefore, just because an excavator exceeds a certain age it does not mean that either the plant hours have been exceeded or the manufacturer's literature is wrong. That excavator may have been idle for long periods or it may have been totally or partially reconditioned. On this basis there can be no depreciation when the excavator is standing, as no plant hours are being clocked-up.

Company Accounts

The method used to depreciate plant in the company accounts may seem an obvious place to consider cost. A word of caution though. If the company uses a straight-line write-off method over 6 years then everything from an office computer (with a 3-year life) to a dump truck (with a 15-year life) could be written off over 6 years! This would mean that, by year 7, the dump truck would have been completely written-off and, hence, would be valued at nil. A depreciation assessment in year 7, based upon the company accounts, would value the dump truck at zero. This is obviously wrong.

The corollary would be that in years 1 to 6 the depreciation cost based upon the company accounts would be higher than it actually was. Again, this is obviously wrong.

Clearly, if the company accounts do not reflect the realities of the situation, the depreciation cost should be re-calculated properly for the purposes of a financial claim.

Insurance

In **Figure 3** allowance is made for the cost of

insurance over the life of the excavator. Most hire purchase agreements will require the value of the plant to be insured during the finance period with an all risks policy. Thereafter, any insurance will be at the discretion of the owner.

$$\frac{\text{average annual premium}}{\text{estimated usage per annum}} = \frac{\text{HK\$10,000}}{1,800 \text{ p.h.}}$$

$$= \text{HK\$5.56 / p.h.}$$

Figure 3 - Insurance

Finance

In **Figure 4** allowance is made for the cost of the finance charges. The excavator was purchased by DIG Ltd on hire purchase over 2 years at 6.5% simple interest.

$$\frac{\text{delivery price} \times \text{interest rate} \times \text{finance period}}{\text{plant life}}$$

$$= \frac{\text{HK\$1,400,000} \times 6.5\% \times 2.0 \text{ years}}{11,000 \text{ p.h.'s}}$$

$$= \text{\$16.55 / p.h.}$$

Figure 4 - Finance charges

Conclusions

It should be apparent from this article that, when it comes to assessing plant cost, the task is more art than science. There is plenty of room for "exercising judgement". Plant-owning costs are rarely about invoiced transactions or professional valuations. Accordingly, BERA submit that a prudent assessment of the cost of plant should never lose sight of the market rental rate as this will, at least, provide some guidance as to the validity of the judgments exercised and provide an overall reality check on the assessments which have to be made when considering the cost of company-owned plant.

The next article considers capital lock-up, replacement and earning potential in times of inflation or deflation.

For further information please contact bera@netvigator.com

CD ROM TENDERING

- Could it be done better?



continued from March issue

John CHIANG

FKIS, MRICS

Group Operations Director, Icflox
International Limited (www.icfox.com)

Q. Could you share your expectation and/or experience in pricing and submitting your BoQ/SoR only on the hard copy supplied by the Employer?

A. "My experiences in compiling a priced BoQ in this manner were bitter. Despite the fact that I could make use of the electronic BoQ file to facilitate my rates insertion, my team was still left with the painful task of copying each and every rate and extension back into the BoQ provided by the Works Department. Not to mention that my team had to conduct tedious reading-over to ensure correctness and that they have to set their own formulae in the electronic BoQ file to do the arithmetic."

Q. Have you either submitted or supported the return of an electronic file of a BoQ/SoR? If not, why not?

A. "I have reservations in submitting my priced BoQ in electronic format. Let me explain:
1. Although we are allowed to set our own arithmetic formulae, I am worried that, during such process, we might have accidentally modified the "cells that are locked and protected" and would thereby constitute a qualified tender.

2. Our senior management often leaves the final decision on the Tender Sum to be submitted until the very last minute. Therefore, discount formulae have to be pre-set. By returning my priced electronic BoQ, I am at the same time disclosing my pricing strategies to the Works Department."

3. Last but not least, what would happen if my returned electronic BoQ is corrupted and cannot be opened by the Works Department?"

2. Tender Evaluation

Q. What protection to a submitted priced BoQ/SoR would you consider essential?

A. "I am particularly concerned about clause 28 of ETWB Circular 39/2002 stating that 'No alteration to the electronic files of the tender returns is allowed'. I am still not convinced of the requirement to submit my BoQ in 'Editable File Format'. The least I would expect is to have full protection to my inserted prices and extensions from accidental or malicious alterations by the other parties."

Q. What comments do you have on the requirement that "Works Departments should verify whether any alteration has been made to the original text in the BoQ and/or SoR"?

A. "My personal opinion is that they should have adopted a fool-proof approach in not

allowing any possible alteration to the original text of the BoQ rather than spending valuable time after the return of tender to check for unauthorized alterations."

3. Data Format

Q. What are your comments in the cell protection technology being applied to BoQ/SoR in Excel format?

A. "In addition to what I have commented earlier, I have only this to add: It is not secure and it could have been done better."

Q. Have you experienced the pricing and/or submission of a priced BoQ/SoR in a format other than Excel?

A. "I have heard of the CITE BoQ format and Atles Tender Editor but I have yet to try them out."

Q. What are your views on the Conditions of Tender clause stipulating, "Tenderers shall not modify cells that are locked and protected, failing which shall constitute a qualified tender"?

A. "I would reiterate my earlier concerns that accidents do sometimes happen no matter how vigilant my team is."

4. Integrity of Submitted BoQ/SoR

Q. What comments do you have on the statement "The electronic files of BoQ may contain simple arithmetic for automatic

calculation of the totals and sub-totals"?

A. "I would feel more comfortable to have those simple arithmetic for automatic calculation of the totals and sub-totals built-in."

Q. What are your comments and/or expectations on other currently available technologies in the encryption of the BoQ/ SoR to be submitted?

A. "I have heard of what the XML standard, CITE BoQ format and the latest technology on encryption can achieve in protecting a blank as well as a priced BoQ but I have not had a chance to experience it."

Case Study 'B' - Director of a leading Consultant Quantity Surveying practice who has instigated the dispatch of tender documents both in hard copy and electronic files.

Rather than repeating all the questions here, I quote only the replies from the Interviewee:

1. Format of Submission Allowed

A. "Once we have decided to move onto the next step in accepting the return of a priced BoQ in CD ROM, an electronic Form of Tender with all the necessary encryption to the text inserted by both parties will be there. A Digital Certificate issued by all the Certification Authorities in Hong Kong will also be supported. In fact, we have seen such Form of Tender in action and we are pleased with the performance of it."

We would endeavor not to accept both hard copy and electronic files of return BoQ within the same tender, as that will complicate the issue. By providing an electronic BoQ file and allowing the return of a hard copy BoQ, it would surely defeat the whole purpose of promulgating electronic tendering. We understand that it will be a major cultural change but it would definitely be for a good cause. We understand that the technology is there and it is pretty mature, so it is a matter of commitment to the changes by the Clients and Government alike."

2. Tender Evaluation

A. "We have converted our BoQ into XML standard to facilitate data exchange. Coupled with the structured and standardized BoQ format from CITE, our BoQ could provide the best in class encryption to both the author and the tenderers. As the latest technology in encryption has been adopted, we could focus ourselves on tender evaluation rather than to spend unproductive time in examining the returned tenders for unauthorized changes. With the XML standard and the CITE BoQ format, producing instantaneous tender analysis is a piece of cake."

3. Data Format

A. "My only comment on an Excel format BoQ is that it will never clear the worries of the QS and those of the tenderers. It is simply not good enough! Having adopted the CITE BoQ format together with the XML


standard, we are more than convinced that CITE, being an open construction industry standard, is by far the most comprehensive format that is tailor-made for the preparation of BoQ."

4. Integrity of Submitted BoQ/SoR

A. "I would go all the way to support the approach of not pre-setting any arithmetic formulae in my BoQ due to liabilities concerns. I reckon that, as long as the BoQ has adopted the XML standard, being a universal, product independent format, we should let a third party programmer to provide their sophisticated estimating and pricing tools to the tenderers. As every one of those programmes should be able to export the churned data back to the BoQ due to the fact that they will be 'speaking the same language', double-handling in BoQ pricing is no longer a menace. I would say no more on the benefits of adopting a universal computer language and an open construction industry standard and would really hope that every tenderer could have a chance to discover those benefits by themselves."

CONCLUSION

I don't think that I need to add much more to these comments:

Please be your own judge as to how best CD ROM tendering should have been conducted, by making reference to the feedback from fellow professionals who have been involved in the actual process. 

Premium Counter

KEY LEASE MODIFICATION CASES

in the First Quarter 2003

Joyce Ng

MHKIS

Victor Ng

MHKIS

wing to the sluggish property market, developers have been slow in concluding the lease modifications. One of the few notable deals in recent months, is the conversion of Enterprise Square 3 from industrial office use to business use.

Together with the already completed Enterprise Square and Enterprise Square 2 and the planned Enterprise Square 5, Enterprise Square 3 is an addition to the Kerry Properties' office cluster in Eastern Kowloon with the scale comparable to that of the Millennium City in Kwun Tong.

Date	Qtr 1 2003
Address	39 Wang Chiu Road, Kowloon Bay
Lot No	NKIL 5877
Site Area	47,329 sq.ft
Zoning	OU (Business)
Lease Modification	
Before	Industrial/Godown Office ancillary directly related to an industrial/godown operation
After	Business Use Allowed Maximum GFA of 554,000sq.ft
Premium	\$12 million (i.e. \$20 p.s.f. AV)
Proposed Development	A 34-storey office tower built over a 6-storey podium for car parks and other facilities.
Estimated Completion Date	Qtr 1 2004

Another lease modification case, as revealed by the press in late February, is the joint venture project of Chinese Estates Group and Urban Renewal Authority. The market significance of this Wanchai Road/ Tai Yuen Street Redevelopment project lies in its substantial premium reduction from the previous offer of \$456 million to the current \$168 million, representing a 63% reduction at \$288 million.

Date	Qtr 1 2003
Address	Tai Yuen Street/Wan Chai Road, Wanchai
Lot No	Unevenly bounded by Queen's Road East, Wan Chai Road, Cross Street and Tai Yuen Street
Site Area	74,207 sq.ft
Zoning	-
Lease Modification	
Before	240,000 sq.ft domestic GFA
After	417,000 sq.ft domestic GFA 245,000 sq.ft office GFA 30,000 sq.ft retail GFA 692,000
Premium	\$168 million (\$ 242 p.s.f.)
Proposed Development	Phase I: 3 residential towers with ancillary clubhouse, retail facilities and a wet market. Phase II: an office building with shops and carparks.
Estimated Completion Date	Phase I : Mid - 2005 Phase II: Mid - 2008

Core Values of the Surveying Profession



Kenneth CHAN Jor Kin
President

RICS has promulgated a new set of Rules of Conduct that comes into effect on 1 January 2003. Included in the package is the sublimation of professionalism into Nine Core Values. They are reproduced at the later part of this message. I have attempted to re-arrange the core values in the following order to aid surveyors in remembering them.

The slogan is:

'The Nine Core Values of the Surveying Profession' - THIS goes ALONG well with professionalism

Transparent and Open - Be Open and Transparent in your dealings

Honesty - Always be Honest

Integrity - Act with Integrity

Stand - Have the courage to make a Stand

Accountability - Be Accountable for all your actions

Limitations - Know and act within your Limitations

Objective - Be Objective at all times

Non-Discriminatory - Never discriminate against others

Good Example - Set a Good Example

In details, the core values are:

1) **Act with integrity.** Never put your own gain above the welfare of your clients or others

to whom you have a professional responsibility. Respect their confidentiality at all times and always consider the wider interests of society in your judgement.

2) **Always be honest.** Be trustworthy in all that you do - never deliberately mislead, whether by withholding or distorting information.

3) **Be open and transparent in your dealings.** Share the full facts with your clients, making things as plain and intelligible as possible.

4) **Be accountable for all your actions.** Take full responsibility for your actions and don't blame others if things go wrong.

5) **Know and act within your limitations.** Be aware of the limits of your competence and don't be tempted to work beyond these. Never commit to more than you can deliver.

6) **Be objective at all times.** Give clear and appropriate advice. Never let sentiment or your own interests cloud your judgement.

7) **Never discriminate against others.** Never discriminate against others.

8) **Set a good example.** Remember that both your public and private behaviour could affect your own, the Institute's and other members' reputations.

9) **Have the courage to make a stand.** Be prepared to act if you suspect a risk to safety or malpractice of any sort.

In the last two months, we have received a number of guests and some of the encounters are briefly reported here below for members' information.

RICS's APC and Education Study Team in Hong Kong

The RICS Team consisting of Mr Nick Hudson, Education Manager and Ms Lisa Cooper, Practice Qualifications Development Officer from Australia and England respectively were in Hong Kong during the week from 10 to 14 February 2003. The HKIS Task Force met the team and Mr Nick Brooke on 10 February 2003 for a first round of familiarization and agenda setting. A series of meetings and discussions were arranged to exchange views on the two different systems as a result of recent changes in RICS. The RICS has adopted a continuing assessment system on different levels of competency. A training agreement with an employer forms the basis of professional training of the candidate and competencies are ticked off along the way. Trainings were provided to assessors across UK, Europe, USA and Australia.

To tackle the issue of the specialist faculties, HKIS can create disciplines under the current divisional structure if the existing divisional organization were not to be revamped. This would not require a radical amendment of the constitution but autonomy and full development of the disciplines is sacrificed. The alternative was to amend the constitution in general to allow new divisions to be created by the General Council without calling for an EGM. The GPD might have to be restructured to include Valuation, Estate Management, Property and Facility Management, etc. The implication was on the creation of additional divisional councils. This would further fragmentize the Institute.

The Task Force had come to an initial conclusion that the HKIS could offer two APC schemes. Scheme A would be our present system slightly revised to reflect the requirement for training on different levels of results oriented competencies. Scheme B would be the co-branded APC following mostly that of the new RICS APC adopted for local implementation. The new Scheme B would be a unified one that resembles the new RICS APC system. The new scheme would only accept candidates that were having employments with 'Approved Employers'. Candidates not employed by approved employers would have to undertake their APC under Scheme A. The above arrangement would bring our existing APC system in line with that of RICS. The existing system would still be in place to address local constraints as not all of our graduates could have employment with 'Approved Employers'. Your General Council would deliberate the above issues to work out the most suitable solution for the proper training of graduates to ensure quality.

The Australian Property Institute (API)

Mr David Eades and Mr Brian Ellerbeck of API visited us on 21 February 2003. They came to Hong Kong after a tour around the world in paying visits to the various valuation organizations. They mentioned a number of noticeable issues that I think might be of interest to members as follows:

- A framework for the integration of API and NZPI was agreed and areas of such action include: administration, education and membership services over a 3-year period.

- Talk with RICS and some initial understanding was achieved in recognition of local kindred bodies, merging of the administration and education of API with RICS.
- Professional indemnity insurance was a major issue
- Arising from the above, Risk Management was made a compulsory CPD requirement. They indicated that training materials could be made available to HKIS.
- Organizations in USA were diversified but were coming together.
- The future of and relationship amongst regional/ international organizations - IVSC, WAVO, RICS, etc. were matters being actively pursued.
- A regional conference would be organized in HK as a joint effort of API/NZPI/HKIS - May 2004.
- Different valuation standards existed and what should be done about them?


Recent development in recognition of professional qualifications in Hong Kong and the Mainland

The Works Section of Environment, Transport and Works Bureau was concerned about the recent newspaper coverage of recognition of professionals with Shanghai initiated by the Coalition of Professional Services and Shanghai Association of Experts with Outstanding Contribution. It was reiterated that the Government would not contravene with the learned institution's dealing in recognition with other similar bodies but was

ultimately concerned with the standards of the counterparts from a government recruitment point of view and standard of professionals in education, training and professional experience. Nevertheless, WS offered to coordinate joint effort in pressing the Central Government in the recognition of professional qualifications of those of us from Hong Kong.

Reciprocity Agreement with the China Institute of Real Estate Appraisers

Recently, we received a communication from the China Institute of Real Estate Appraisers confirming that our previous proposal for recognition of our General Practice Surveyors and certain numbers of their senior members was approved in principle. However, certain clarification needs to be made in respect of the requirement for local experience in the registration of professional surveyors. They opined that their membership means registration and is a license to practice whilst ours is short of registration. The GPD has been working on providing an understandable clarification that one can practice surveying with the HKIS membership without going through registration.

Others have frequently asked us about the purpose of registration which is totally divorced from license to practice. We need to have a good discussion with the Bureau to have the undesirable situation rectified. 

Thomas Ho - Faith Track

A journey of miracles



Danny Cheung

JO Editorial Board Representative

In 1971, Mr Thomas Ho graduated from the Hong Kong Technical College (now known as the Hong Kong Polytechnic University). He was employed soon after by the Lands Department and from there, he embarked on a part-time study course for a surveying qualification. He was chartered in 1974 and was promoted to Estate Surveyor. His career progressed steadily from then onwards. He held the position of Acting Government Land Agent in 1991 when he joined the MTR Corporation as Property Director.

What was the biggest challenge in your life?

Thomas: The property development complexes located at stations along the Airport Express Line have been the greatest challenges for me. From 1994 to 2000, we embarked on an ambitious disposal plan for the development rights at the five stations along the new railway line to the airport. Most of the land was newly reclaimed and at that time, remote from the built-up areas. The total amount of developable floorspace, at 33 million sq.ft. was not a small figure, and made things even more challenging. Our task was made even more daunting as we faced two complex situations that were beyond our control: the Sino-British negotiations on the 10 Core Airport Projects in the early years of development and a volatile economic landscape at the latter stage. Nevertheless, we

successfully concluded all the land sales and land premium negotiations.

How did you manage it?

Thomas: Right from the early days of our development process, we insisted on good planning. We aspired our developments to be of high quality and to be market leaders in their own rights, and we wanted to make sure they would retain their image and quality in the future. Our philosophy was that if we had a good-quality product, it would sell.

In the beginning, we didn't know if Government would grant the land rights to us. At the time, the Government was still mulling over the airport financing plan. But we kept on doing our job as well as we could. The turning point was after a presentation given to a senior government official. He was impressed with our work, and from then onwards, the exciting opportunity of translating our plans into reality began.

Over the years, market conditions have changed quickly, but we have been in the position to respond to any changes by adopting flexibility in our implementation plan. We knew that developers all had different financing needs and priorities, especially for the larger projects. As such, we offered them choices in their profit share arrangements with the Corporation, from lump-sum upfront payments, to back-end profit-sharing on completed properties, to the sharing of assets

in kind. This enhanced the success rate for our tenders.

What experience would you draw from the Airport development project?

Thomas: Once you have set a target, stick to it and complete it no matter how difficult it proves to be. Despite the many challenges - the complex planning exercise, the technical construction issues and the volatile property market - we adhered to our plan and overcame the problems with good team effort.

As a leader, how do you lead your team?

Thomas: I hope that I come across as a 'Team Builder' type of leader - that is one who gives guidance so that as a team, we can all work together towards our shared goals. Over the years, I have seen the power of team play and



how it has been able to change what we considered to be impossible things to possible ones. I must admit, however, that at times, I can be stubborn.

Delegation of authority is important so that each manager sees himself as an owner of the plan and strives to make things happen. Our whole team not only shows

strong motivation but also a great deal of creativity, which is very important to us.

When we were about to open the Maritime Square at Tsing Yi Station several years ago, market conditions were not very favorable and one large shop space remained vacant. While

we were thinking of ways to deal with the vacancy, one team member came up with a brilliant idea that turned out to be very successful. We redesigned the shop based on a theme that was reminiscent of an old Hong Kong market place. We put together more than 60 stalls selling traditional Chinese arts and food into the Old Market Place. As Maritime Square is located on the Airport Express, this specialty retail concept helped draw in quite a large number of tourists.



Over the years who has influenced you most?

Thomas: In my spiritual life, Jesus Christ. He is my source of strength and wisdom. I could not have achieved anything had it not been Him. He has performed many miracles in my life and work, making things happen smoother, better and beyond my expectations.

In 1991, our property team was very small. We only had four professionals, but our workload was tremendous. During this time, I suffered from an ailment that required me to go to hospital for regular treatments. I prayed to God to give me strength and He supported me through in this difficult time. We also started bringing in more staff into our team and smoothly completed the planning for each station development. Before we put out to tender a development package or before my colleagues and I went to meet developers to negotiate the deal, I prayed for God's help in my office.

At work, my influence has come from the Corporation's Chairman, Mr Jack So, who is a great leader with an astute business sense. He has guided my team and me throughout the past eight years.

One makes many decisions in life, and each decision could lead to a new direction in life.

For me, the most important decision I have made in my life is believing in Jesus Christ, who has rewarded my life with true happiness and fulfillment.

What are your principles of life?

Thomas: As a Christian, following what the Bible says is the most basic principle. The knowledge the Bible contains has shaped my true value for life.


As we live in a world that is full of temptations, one needs to hold principles to maintain the right balance between righteousness and mercy. One has to keep to promises made and set a good example to others. To have goals realised, one has to be persistent and not give up easily. Equally important is loyalty to one's workplace, and work to one's best ability. These are the timeless principles.

With all the talks of a merger with MTRC and KCRC, how do you see yourself in ten years' time?


Thomas: I certainly do not worry about my future. God will lead me and I believe that my life in the next 10 years will be as rewarding as my past 10 years have been.

MTRC is a well-managed company with talented staff. History has shown that any company of this calibre and quality will only grow stronger and prosper further.

What is your hobby?

Thomas: Everyone should develop an interest outside work; whether it is passive or active. This is a good way to reduce the work pressure. My hobby is reading books, especially those on the Christian faith. 

To find out more about Christian faith from the Christian surveyors supporting group, Surveyors Fellowship, contact Mr Horace Lam lam_horace@hotmail.com



Thomas Ho's Profile

Education:
Hong Kong Technical College (1971)
Chartered Surveyor (1974)

Professional Qualifications:
Fellow of the Royal Institution of Chartered Surveyors
Fellow of the Hong Kong Institute of Surveyors

Career:
1971 Joined Lands Department
1976 Estate Surveyor
1991 Acting Government Land Agent
1991 Property Director, MTR Corporation

Public and Institute Service:
Serving member of Community Chest
APC assessor

PRICE WAR



Ronald Y F CHEUNG

BSc(Hons), MHKIS, MRICS, RPS(GP)
Director of Midland Surveyors Limited

A price war amongst the new luxurious residential projects broke out in February.

Following a deluge of expensive advertisements rarely seen in recent years, Residence Bel-Air was first launched at an average price of about HK\$5,000 per sq. ft. Overwhelmed by the project's recreational facilities, particularly the clubhouse, buyers snapped up most of the units offered in the first batch. On average the units above 20th floor were selling at over HK\$4,500 per sq. ft., attracting many buyers from nearby areas, such as Aberdeen, Pokfulam, the Mid-Levels and Hong Kong West. On 20 February, PCCW Infrastructure, the developer, announced the release of 8 low-floor three bedroom units at an average price of HK\$4,028 per sq. ft. Up to the end of February, more than 200 units were sold, generating a sales revenue of more than HK\$1.4 billion.

Facing stiff competition, the developers of The Belcher's, a large luxurious estate in Hong Kong West, announced a price cut for its development. 38 units in Block 8 were offered at about HK\$4,500 per sq. ft., a 13% reduction from HK\$5,200 per sq. ft. Residence Bel-Air fought back by adjusting its price level similar to that of The Belcher's, and it is interesting to see what comes next.

Two mega projects in Kowloon between two of the biggest developers went head to head in February.

A price war in Kowloon started when Sun Hung Kai Properties launched No. 1 Ho Man Tin Hill, which comprises only 112 units. At an average price of HK\$6,000-\$8,000 per sq.ft., about 90% of the units were sold within three weeks. The reasons were perhaps due to the lack of 4- bedroom flats in the first hand market and a strong pent-up demand from the residents in Ho Man Tin District.


Cheung Kong's (Holdings) One Beacon Hill, a large project comprising 16 residential blocks of 604 units, from 1,300 sq. ft. to 3,900 sq. ft., was launched at nearly the same time. Again, local demand was there and the duplex units were sold at a relatively high price of HK\$9,000 per sq. ft. Up to the end of

February, about 40 units were sold.

The sale of these luxurious housing projects triggered a price war among other projects still selling in the market. Developers adopted a price reduction and offered more attractive terms to buyers.

Most notably, The Palace, K Wah International's luxurious flats in Kowloon Tong, were repackaged at HK\$ 4,581 per sq. ft., a 15% reduction from previous sales. In Banyan Garden, Cheung Kong (Holdings) cut the price of six flats to HK\$2,678, from HK\$3,120 per sq.ft.

Overall, the sale of luxurious housing has benefited from an underlining demand from those who have been looking around for some time and those they can now afford. However, as supply continues to be large, another round of price war may not be far away.

The price war was fought not only in the luxurious housing market. Its aftermath has extended to all sectors of the housing market. Overall there has been a fall of at least 10% in prices across the board. With a large supply, a stagnant economy and a likely falling demand caused by, among other things, a tax hike, the prospect is not good at all. 

How to read a person like a book

(The classic guide to interpreting body language)

Gerald I. Nierenberg

ISBN 0-671-63826-2



What signals can you get from these gestures?



Open hands signaling sincerity - One gesture that most of us readily associate with sincerity and openness.

Self-satisfied - His chin is raised to signal his state of mind as pompous, the arms have an exaggerated swing, the legs are stiff, and the pace is deliberate, calculated to impress.



A critical evaluation - he brings a hand to his face, puts his chin in the palm, and the thought patterns are critical, cynical.

To hide his conversation - he cups his hands to their mouths and speaks to listeners when he wants to hide his conversation.



Even though you cannot hear what they say, you can roughly guess what these celebrities want to communicate to people. This month, I would like to recommend this book, which reveals essential techniques to read nonverbal communication.

The communication process consists of more than the spoken or written language. Interestingly, body gesture is like a word in a language. When you are trying to communicate with a person, sometimes you do not get across the message - not because of what you said or how you said it, but because the reception of communication is always based upon the degree of the listener's empathy for your nonverbal communication.

Based on this 184-page book on behavior science, you can apply the technique to interpret other people's gesture. First published in 1971 (my book was dated 1986) the book is divided into eight chapters.

First of all, it is important to **acquire the skills for reading gestures**. Anywhere that people meet is an excellent gesture reading ground like a meeting room, airport-waiting lounge. In these places the most readily observed group of gestures is facial expressions. A few eye contacts or smiles can change the way the receivers understand the others' nonverbal communication. Beside these **materials for gesture reading**, various physical touches like walking gestures and shaking hands can be interpreted.

Following this, the third chapter examines how open people communicate their various inner feelings like **defensiveness**. A well-known gesture of disagreeing with others is to cross the arms in a gesture of defensiveness. In addition to these, there are four emotional attitudes like **readiness and frustration**. Readiness is a positive gesture when an achiever has a high enthusiasm and is busy getting things done. The reverse of this is frustration where people usually run their fingers through their hair and rub the back of their neck. Somehow it is useful for

us to learn how to present ourselves positively and to convey to others with confidence.

Another chapter is on **boredom** through which our awareness of the listeners' needs is very crucial when we are going to deliver a presentation. In case of public speaking, if we find audiences are bored, it would be up to us to drive the presentation to the right direction in order to wake them up. The next level of gesture-clutters is the **relationships**. Other than parent and child, lovers, strangers, most of us would care about gestures of the superior. Authority of territorial-rights gestures predominate in many superior/subordinate relationships - especially when the superior is the more aggressive type, the subordinate would feel threatened or insecure. Finally it is on the **understanding in an environment**. Even without visiting a courtroom, you can watch a lot of TV episodes about courts in which various parties may have different gestures. All words are carefully recorded, but many types of nonverbal communication, which can express their true feelings, are not easily taken down.

This is a great starter book to explain body language. It provides clear written descriptions, and illustrates with dozens of sketches about how our actions and movements can speak more accurately than our words can. These techniques can be used to help determine if your opponent is honest with you in discussion, if your client agrees to what you advocate during negotiation, or if your buyer accepts to buy something you sell. And when you know more about gestures, you can know what to do, or what not to do, with these interpretations! 