

Example of Using Turnover for HO OH

Cyberport Development at Telegraph Bay (Cyberport Portion) Contract C2 - Main Contract for Cybercenter Assessment of Direct Loss and/or Expense

L/E
cc.) 8

Original Contract Duration of C2 (as per Contract Period)
Commencement 2/4/2001
Completion 2/11/2002
Duration 580.00

Revised Contract Duration of C2 (as per HH's Claim)
Commencement 2/4/2001
PC Date 27/1/2003

666.00 Prolonged Contract 86.00 Prolonged Post PC

Head Office Overheads Assessment

The following figures are extracted from HH's audited accounts and are in HK\$:-

Description	1999	2000	2001	2002
Turnover	4,302,737,540.00	6,017,203,868.00	5,530,106,629.00	4,493,714,458.00
HH's H/O overhead	170,758,040.00	166,744,904.00	181,898,661.00	189,613,045.00
Less				
Donations	(7,008,468.00)	(7,596,997.00)	(8,906,675.00)	(8,849,507.00)
Promotion and Tendering	(3,177,558.00)	(5,376,219.00)	(2,098,399.00)	(1,740,144.00)
Bungalow	(1,366,011.00)	(1,656,380.00)	(1,410,175.00)	(1,011,563.00)
Entertainment	(1,244,981.00)	(1,560,287.00)	(2,612,109.00)	(2,416,552.00)
Advertising	(1,122,046.00)	(701,140.00)	(752,938.00)	(403,308.00)
Food provision	(253,668.00)	(235,754.00)	(1,052,837.00)	(178,787.00)
HH's project related H/O overhead	156,585,308.00	149,618,127.00	165,065,528.00	175,013,184.00
=	3.64%	2.49%	2.98%	3.89%
L&B's suggested overheads for L/E calculation	= 3.25% (4 year average) *			

13/6/2001 - 6/9/2001

exclude those

non-project / construction related * O/H

A/O

(8)

Computation of Head Office Overhead for Delay

The head office overhead per day is therefore computed from the following formula (Emsden Formula) :-

$$\begin{aligned} \text{H/O Overhead / Day} &= \frac{\text{Awarded Contract Sum}}{\text{Contract Duration}} \times \% \text{ Overhead \#} \\ &= \frac{830,800,000.00}{580.00} \times 3.25\% \\ &= 46,572.01 \text{ per day} \end{aligned}$$

The above 3.25% is within the reasonable range for head office overheads in Hong Kong for this type of Contract.

Thus, the amount of head office overheads that the Contractor is entitled to be recovered is :-

For the period of Extension of the Contract Period

$$\begin{aligned} &= \text{H/O Overhead Cost per Day} \times \text{Period of Prolongation} \\ &= \text{HK\$46,572.01} \times 86.00 \\ &= \underline{\underline{\text{HK\$4,005,192.86}}} \end{aligned}$$

Adjustment for H/O Overhead included in Variations :

$$\begin{aligned} \text{Nett Value of Variations based on Contract Rates (see separate analysis)} &= \begin{array}{r} 34,629,453.56 \\ 0.00 \\ \hline 34,629,453.56 \end{array} \end{aligned}$$

Amount of HH's H/O OH included in the value of Variation :

$$\begin{aligned} &= \text{HK\$34,629,453.56} \times \% \text{ H/O OH} \quad / \quad (1+\% \text{ H/O OH}) \\ &= \text{HK\$34,629,453.56} \times 3.25\% \quad / \quad 103.25\% \\ &= \underline{\underline{\text{HK\$1,090,452.06}}} \end{aligned}$$