

Annex A

(Translation)

**Speech by Mr LAU Kwok-yu
Member of the Housing Authority
at the Annual Special Open Meeting of Housing Authority
on 4 June 1998**

(Supplementary Notes)

**Application of the Principle of Safeguarding Rational Allocation of
Public Housing Resources in the Tenants Purchase Scheme**

Cheung On Estate, Tsing Yi (next to Airport Railway/MTR Tsing Yi Station)

Area of flat :	52.5m ² (565 sq. ft.) (GFA) 41.2m ² (443 sq. ft.) (saleable area)
Household size :	4 persons
Monthly inclusive rent :	\$1,463 (Waiting List income limit is \$17,700 as at April 98)
Additional rent (approx.) :	\$2,195 (Monthly income from \$35,401 to \$53,100**)
Double rent (approx.) :	\$2,926 (Monthly income over \$53,100 with net asset value below \$1,805,400)
Market rent (four times) (approx.) :	\$5,852 (Monthly income over \$53,100 with net asset value at or over \$1,805,400)

Assuming that a PRH tenant secures a mortgage loan of 95% of the purchase price from the bank with repayment period of 25 years at an interest rate of 10% p.a., and the assessed market value of the flat was \$1,689,200 in January 1998 (with a first year special credit at 60% of the 70% discounted list price, the TPS flat will be offered at a special price of \$202,700 i.e. 12% of the market value) -

1. For a normal rent or additional rent (1.5 times) payer who purchases the flat at this special price
 - 1.1 His monthly housing expenditure will be \$2,540 (being the sum total of rates of \$790, government rent, management fee and mortgage repayment of \$1,750);
 - 1.2 This is 1.74 times of the monthly rent (\$1,463);
 - 1.3 This is 14.4% of the monthly income of \$17,700 (*for a normal rent payer), 7.2% of the monthly income of \$35,401**, and 4.8% of the monthly income \$53,100**.
(* ** for an additional rent payer paying 1.5 times of normal rent under the Housing Subsidy Policy)

2. For a double rent payer who purchases the flat at 30% of the market value as proposed, i.e., \$506,800
 - 2.1 His monthly expenditure will be \$5,166 (being the sum total of rates of \$790, government rent, management fee and mortgage repayment of \$4,376);
 - 2.2. This is 1.76 times of the double rent (\$2,962);
 - 2.3 This is 9.7% of the monthly income of \$53,101 (the lowest income level of double rent payers).

3. For a market rent payer who purchases his flat at 50% of the market value as proposed, i.e., \$844,600
 - 3.1 His monthly housing expenditure will be \$8,084 (being the sum total of rates of \$790, government rent, management fee and mortgage repayment of \$7,294);
 - 3.2 This is 1.38 time of the market rent of \$5,852;
 - 3.3 This represents 15.2% (or less if downpayment is above 5% of purchase price) of the monthly income of \$53,101 (the lowest income level of market rent payers).
(Of mortgagor owners in Hong Kong, the median mortgage-to-income ratio is 30% [23% for HOS/PSPS flat owners and 33% for private property owners, according to an ACNIELSEN-SRH' s survey in 1996])