

11<sup>th</sup> January 2011

International Valuation Standards Board  
41 Moorgate  
LONDON EC2R 6PP  
United Kingdom

Dear Sirs,

**International Valuations Standards Council Discussion Paper on Valuation Uncertainty**

Hongkong Land appreciates the opportunity to comment on the subject Discussion Paper published by International Valuation Standards Board (IVSB). Founded in Hong Kong in 1889, we have adopted the International Valuation Standards in valuing our investment property portfolio for financial reporting purpose since 2004.

We support IVSB and financial regulators to enhance the transparency and communication of valuation uncertainty. We trust the disclosure of valuation uncertainty will raise the confidence of valuation users in valuations.

The general principle as stipulated in *International Valuation Standard 105 Valuation Reporting* has proved to work well and be understood clearly by the market participants over time. It is therefore believed that specific disclosure should be provided by the valuer only where and when material and/or abnormal uncertainty arises. Such disclosure should not only highlight to valuation users of the peculiar circumstances in which the valuations are prepared, but also communicate to them the degree of uncertainty.

We believe that the objective of disclosure for any material valuation certainty is to facilitate the valuation users in better understanding of the valuations. Whilst qualitative statement is a useful starting point and should always be provided, quantitative measure of uncertainty may offer limited benefit and would depend upon the circumstances. For instance, a finite range of possible values will defeat its purpose, and a broad set of values would be confusing and ambiguous. The situation may get worse if the valuation covers a huge portfolio of properties or is intended for financial reporting purpose.

The Discussion Paper has provided a very good platform for exchange of comments and views on uncertainty of valuation. We recommend that IVSB considers amendments to be incorporated in International Valuation Standards on disclosure of abnormal valuation uncertainty. Our responses to some of the questions raised in the Discussion Paper are attached in Appendix 1.

Yours faithfully



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Appendix 1: Responses to IVSC Discussion Paper on Valuation Uncertainty

***Question 1: Do you agree that it is only when material, or abnormal, uncertainty attaches to a valuation on a specific time or date that specific disclosure is necessary when the valuation is reported? If not please explain why you consider that an uncertainty statement should be provided in all cases.***

Yes, specific disclosure should be attached to a valuation only when material and/or abnormal uncertainty arises. Otherwise, it could diminish the significance of such disclosure to the valuation users.

***Question 3: Do you agree with the Board's conclusion that an explanation of any abnormal uncertainty identified and an explanation of the impact this has on the valuation (a qualitative statement) is more helpful to users in understanding the valuation than a purely numeric expression of the range of possible values created by the uncertainty (a quantitative statement)?***

We support the Board's conclusion. We believe qualitative statement of abnormal uncertainty on the causes of certainty, assumptions made, implications to the valuations, etc will help the valuation users in better understanding of the valuations whilst a purely numeric assessment could provide the valuation users with an over-simplified evaluation of uncertainty without the comprehensive and throughout knowledge of them.

***Question 4: Do you think the IVSB should include an explicit requirement in the proposed IVS 105, Valuation Reporting, to disclose any material uncertainty or is the principle that requires valuation reports not to be ambiguous or misleading sufficient?***

Whereas the principle in the proposed *IVS 105 Valuation Reporting* should always be maintained, we welcome IVSB to include an explicit requirement for disclosure of any material uncertainty. This will definitely help the valuation users to have better awareness of the abnormal circumstances, in which the valuation is prepared.

***Question 6: Do you consider that it would be helpful if IVSC developed guidance on methods for making a quantitative disclosure of uncertainty under specific circumstances? If so please indicate the circumstances and any methods that you either use or encounter in your market***

We uphold our view that qualitative statement can give much better account of specific circumstances than quantitative assessment. The only merit for any guidance on methods for quantitative assessment is to help the valuation users to understand their extent of application and limitations.