GCA PROFESSIONAL SERVICES GROUP
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16 October 2018

International Valuation Standards Council
1 King Street
London
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United Kingdom

By email to: aaronsohn@ivsc.org

Dear Board Members,

Re: Exposure Draft for IVS 2017 Proposed Revisions

Greater China Appraisal Limited ("GCA" or "we") would like to take this opportunity to comment on the Exposure Draft ("ED") for Proposed Revisions on International Valuation Standards ("IVS") 2017 issued by the International Valuation Standards Council ("IVSC") dated on 17 July 2018.

As a Corporate Member of IVSC in Hong Kong and as a founder of Hong Kong Chapter of IACVA, GCA supports the IVSC's proposal to issue the Proposed Revisions of IVS 2017 to all practitioners including the firms in provision of valuation services.

The distribution of IVS 2017 Proposed Revisions provides a clear overview and additional adjustment in current IVS 2017 to response the market needs on specific topics. This increases the market confidence in the adoption of IVS and enhances its clarity on practical implementation especially the topics that have limited information covered in current IVS 2017. The move is in line with the view of other professional bodies in the market to support and improve the transparency and consistency in valuation practices. We set out our responses to the questions raised in the ED in Appendix A.

GCA believes that the ED is sufficiently extended the quality and depth of fundamental concepts and principles in valuation practice. This is a good principles-based guidance for the valuation industry to formulate the best practices and strengthen the practitioners in providing a high quality of work.

Again, we are pleased to share our views in this letter and if you have any queries on the comment in this letter, please do not hesitate to contact Mr. Gary Man by mail: gary.man@gca-group.com.

Yours faithfully,
Greater China Appraisal Limited

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Appendix A: Responses to the Questions Raised in the ED

<u>IVS Glossary</u>

1. Do you believe that IVS should define the terms Price, Cost, and Value? If so, please discuss why you think the additional definitions are necessary.

GCA Response: Yes, we agree with the definition of Price, Cost, and Value. Those additional definitions are vital to provide an unambiguity and uniformity of interpretation other than common dictionary meaning.

Definition for Valuation states that “the act or process of determining an estimate of value of an asset or liability by applying IVS.” We recommend to add “based on a stated basis at a specified date” which is more comprehensive. Thus the valuation is the opinion of value of an asset or liability on a stated basis at a specific date.

2. Do you believe IVS should define *Calculation* and *Calculation Engagement*? Please explain why.

GCA Response: Calculation and Calculation Engagement should be defined as they are often referred to non-valuation work in the professional.

3. Should a *Calculation* be IVS compliant, and if so, what differences in the scope of work and disclosures outlined in IVS should be required by the *valuer*?

GCA Response: Calculation and Calculation Engagement usually results in a calculated value or a range of value which is not an opinion of value in the valuation.

This engagement is different from the provision of valuation advice in practice. Calculation Engagement allows to perform a less detailed analysis or just a desktop review which requires non-formal procedures than a valuation engagement. Calculation methodology is usually agreed with client and may involve special assumptions or parameters adopted before the commencement of engagement. It may also not require to issue a formal and full report.

IVS should consider to define the term as a Calculation be IVS compliant.

Appendix A: Responses to the Questions Raised in the ED – continued

IVS 102 – Investigations and Compliance

4. Should IVS provide examples of “substantial” limitations? If so, please provide examples of such limitations.

GCA Response: We agree that the proposed change to IVS 102 paragraph 20.7 is reasonable which is in line with IVS 102 paragraph 20.3.

Specific examples of “substantial” limitations are not necessary. We believe that valuers have ability to identify and justify the “substantial” limitations before the assignment is accepted and this is also the responsibility of valuers to gain comfort with the reasonableness for each input and assumption used during the valuation process and document sufficient level of detail on the substantial limitations.

IVS 105 – Valuation Approaches and Methods

5. Do you agree with the suggested changes to IVS 105 section on Discount Rates? If not, please provide details of the additional information you think should be included or excluded from this section.

GCA Response: Yes, we welcome on the suggested changes to IVS 105 section. We believe that such changes can help to clarify the concept of discount rate adopted in different scenarios.

IVS 200 – Business and Business Interests

6. Do you agree that the methods are more relevant to business valuation and the placement in IVS 200 is appropriate? If no, please explain why.

GCA Response: Yes, we agree that this is appropriate and relevant to business valuation.

7. Are there additional methods that should be included in the proposed revisions, for example the Hybrid Method? If yes, please discuss the additional methods to consider.

GCA Response: We believe that the proposed additional methods are adequate.

8. Are there additional topics within Early Stage Company Valuation that you feel should be included in IVS or explored further by the Boards? Please provide an outline for any topics suggested.

GCA Response: Most of the early stage or start-up companies are in pre-revenue or break-even stage. Lack of track record, comparable companies and reliable forecast information are the big challenges in such valuation. We suggest that IVS can include further details on the difference between pre-money valuation and post-money valuation (at an Early Stage) and the common techniques to be adopted.

Appendix A: Responses to the Questions Raised in the ED – continued

<u>IVS 410 – Development Property</u>

9. Do you feel that the inclusion of the "As Is" and "As Proposed" value for the Development Property will reduce the risks in relation to the valuation of development property? If no, what additional information would you like to see included?

GCA Response: The likely development period and the level of development permission achieved should be included.

10. Should the valuer be compelled to state the method of valuation they have used in their calculation of market value and report the assumed (or calculated) Developers Profit when reporting market value? If no, please explain why not?

GCA Response: Yes, we agree.