



21 June 2019

International Valuation Standards Council
4 Lombard Street
London
EC3V 9AA
United Kingdom

By email to: aaronsohn@ivsc.org

Dear Board Members,

Re: Exposure Draft for IVS 2017 Additional Technical Revisions

Greater China Appraisal Limited (“GCA” or “we”) would like to take this opportunity to comment on the Exposure Draft (“ED”) for Additional Technical Revisions on International Valuation Standards (“IVS”) 2017 issued by the International Valuation Standards Council (“IVSC”) dated on 28 March 2019.

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 Additional Technical Revisions of IVS 2017 to all practitioners including the firms in provision of valuation services. We set out our responses to the partial questions raised in the ED in Appendix A.

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

Appendix A: Responses to the Questions Raised in the ED

IVS 104 – Bases of Value

1. Should IVS 2017 use the term ‘allocation of value’ or ‘apportionment of value’ or both?

GCA Response: We support the inclusion of additional section in the IVS for this topic. According to the RICS Valuation-Global Standards 2017 (incorporating the IVSC International Valuation Standards), it use “apportionment” of market value in relation to analysis as a comparable, inclusion in financial statements to comply with the applicable accounting standards, secured lending or tax purposes.

2. Should it be mandatory for the valuer to state the reason for the sum of the assets/ components being greater or less than the whole as stated in 220.3? If not, please provide your reasoning.

GCA Response: Yes. It is reasonable for the valuer to explain the apportionment of value and ensure complying with client’s requirements to avoid misunderstanding. Bases of apportionment, breakdown of the apportionment values and assumptions made should be clearly expressed in the assessment.

3. Section 220.4 states that “If the value of the asset includes an element of assemblage value or portfolio premium/ discount the valuer must report the overall value separately from the value of the individual assets or components.” Are there any instances where you feel that this is not the case, if so, please provide examples?

GCA Response: No.

4. Section 220 has been drafted to apply to all specialisms. Should additional information be included within the Assets Standards for Business Valuation, Financial Instruments or Tangible Assets? If yes, please provide examples of the initial information to be included.

GCA Response: We agree that it is applicable to all specialisms for a portfolio of assets or components. No additional information for each of Asset Standards is required.

IVS 105 – Valuation Approaches and Methods

5. Do you think that IVS should include a section within the General Standards on Modelling for Valuation purposes? If not, please provide your reasoning.

GCA Response: We believe that the proposed additional section on Valuation Modelling within the General Standards is appropriate as the Modelling applied in valuation can be very specified especially in financial instruments valuation.

6. Do you believe that IVS should define the term valuation model? If so, please suggest a definition and discuss why you think the additional definition is necessary.

GCA Response: We believed that the proposed section 90.1 is clearly defined the term of valuation model.

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

7. Do you believe that IVS should define the term valuation calculation? If so, please suggest a definition and discuss why you think the additional definition is necessary.

GCA Response: We do feel that there is a necessary to define the term of valuation calculation if the result is a calculated value.

Valuation Calculation is suggested to define as follows:

- result is a calculated value but not a conclusion of value;
- does not include all the procedures required for a valuation assignment;
- the report is termed as a calculation report; and
- valuer is responsible to decide if a calculation assignment and report are suitable for a particular purpose under the specific facts and assumptions made.

8. Section 90.2 states that “When using a valuation model the valuer must take responsibility for the output of valuation model...” Are there any instances where you feel that this is not the case, if so, please provide examples?

GCA Response: We view that valuer should be alert to and aware of the implications of a valuation model output. It is also the duty of valuer to discuss the assumptions on output with client prior to selection of model.

9. Section 90.2 also states that “When using a valuation model that valuer must...keep appropriate records to support that selection of the model.” How long are you required to keep valuation records in the market(s) in which you operate? Please provide details of any relevant valuation record keeping legislation with the market(s) in which you operate.

GCA Response: According to local practice stated in Hong Kong Institute of Surveyors Valuation Standards 2017, for all reports where the governing jurisdiction is Hong Kong law, such records must be held for at least six years after completion of the engagement or two years after the final disposition of any judicial proceeding in which a testimony was given.

10. Do you agree with Section 80.3 that “when using a valuation model the valuer must take responsibility for the output of valuation model and keep appropriate records to support the selection of the model?” If not, please provide instances when this is not the case.

GCA Response: We agree that the proposed section is acceptable.

11. Do you feel that additional valuation standards on valuation modelling are required within the Asset Standards (i.e. IVS 200 Business and Business Interests, IVS 400 Real Property Interests, IVS 500 Financial Instruments)? If so, please provide an indication of the proposed content and where within the IVS Asset Standards you think this additional content should be contained.

GCA Response: We believe that the proposed section on Valuation Modelling within the General Standards is sufficient and no additional section is required within the Asset Standards.