



8 August 2016

International Valuation Standards Council
 1 King Street
 London
 EC2V 8AU
 United Kingdom

By email to: commentletters@ivsc.org

Dear Sirs,

Re: Exposure Draft for IVS 2017

We would like to take this opportunity to comment on the Exposure Draft (“ED”) for International Valuation Standards (“IVS”) 2017 issued by the International Valuation Standards Council (“IVSC”) dated on 2 June 2016.

Greater China Appraisal Limited (“GCA”) supports the IVSC’s proposal to issue revised and restructured provisions of IVS 2017 to all firms in performing the engagement relating to valuation services. The distribution of revised guidance enables the firms to address the importance of their responsibilities in comply with the IVS requirements and ethical standards before reaching an opinion of value and issuing the valuation report.

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. It can certainly boost investors’ confidence and achieve governing bodies’ expectation through the implementation of high-level of standards.

In particular, we have set out the responses to the questions raised in the ED of IVS 200, IVS 400, IVS 410 and IVS 500 as below.

IVS 200 Business and Business Interests

ED Questions	GCA Responses
(a) In IVS 2013, all substantive portions of IVS 200 Business and Business Interests were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?	GCA agrees with the removal of the commentary label of IVS 2017. It can clearly reflect and indicate the mandatory elements of the IVS.

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IVS 200 Business and Business Interests - continued

<p>(b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of business and business interests regardless of the purpose of the valuation (acquisitions, mergers and sales of businesses, taxation, litigation, insolvency proceedings and financial reporting). Do you agree? If not, for what purpose(s) do you believe this standard cannot be applied? Why?</p>	<p>GCA agrees that the IVS 200 can be applied regardless of the purposes in practice.</p>
<p>(c) Are there any further topics or special considerations that you feel the Board should add or remove from IVS 200 Business and Business Interests? If so, what are they and what is your rationale?</p>	<p>Nothing that GCA has immediately identified.</p>

IVS 400 Real Property Interests

ED Questions	GCA Responses
<p>(a) In IVS 2013, all substantive portions of IVS 230 Real Property Interests were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?</p>	<p>GCA agrees with the removal of the commentary label of IVS 2017. It can clearly reflect and indicate the mandatory elements of the IVS.</p>
<p>(b) Do you agree with Section 20.5, which states it is the valuers responsibility to state the extent of the investigation and source of the information to be relied on? If not, why not?</p>	<p>GCA believes that valuers have the responsibility to state the extent of the investigation and source of information to be relied on in performing valuation. However, for the Section 20.5 (d) and (h), we believe that it is more reasonable for the valuers to have the responsibility for confirming the specification and condition of any building under an accessible and visual inspection. It is also common in practice that valuers will seek for the opinions of experts in any ownership rights and user restrictions on the subject properties if there is any need.</p>

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IVS 400 Real Property Interests - continued

<p>(c) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of real property interests regardless of the purpose of the valuation (secured lending, sales of real property, taxation, litigation, insolvency proceedings and financial reporting, etc). Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?</p>	<p>GCA agrees that the IVS 400 can be applied regardless of the purposes in practice.</p>
<p>(d) Are there any further topics that you feel the Board should add or remove from IVS 400 Real Property Interests? If so, what are they and what is your rationale?</p>	<p>GCA agrees that IVS 400 is discussed with an appropriate level of detail in ED.</p>

IVS 410: Development Property

ED Questions	GCA Responses
<p>(a) In IVS 2013, all substantive portions of IVS 233 Investment Property Under Construction were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?</p>	<p>GCA agrees with the removal of the commentary label of IVS 2017. It can clearly reflect and indicate the mandatory elements of the IVS.</p>
<p>(b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of both commercial and residential development property regardless of the purpose of the valuation (ie. establishing whether proposed projects are economically viable, loan security, acquisition, taxation, litigation, financial reporting etc.). Do you agree? If not, for what purpose(s) do you not believe this standard can be applied? Why?</p>	<p>GCA agrees that the IVS 410 can be applied regardless of the purposes in practice.</p>
<p>(c) Are there any further topics that you feel the Board should add or remove from IVS 410 Development Property? If so, what are they and what is your rationale?</p>	<p>IVS 410 should consider to cover for site valuation: In a traditional residual valuation, the discounting present value factor is used to cover the cost of finance to purchase the site.</p>

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IVS 500: Financial Instruments

ED Questions	GCA Responses
(a) In IVS 2013, all substantive portions of IVS 500 Financial Instruments were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?	We agree with the removal of the commentary label of IVS 2017. It can clearly reflect and indicate the mandatory elements of the IVS.
(b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of financial instruments regardless of the purpose of the valuation (acquisitions, mergers and sales of businesses or parts of businesses, financial reporting, regulatory requirements, internal risk and compliance procedures and regulatory requirements). Do you agree? If not, for what purpose(s) do you believe this standard cannot be applied? Why?	GCA agrees that the IVS 500 can be applied regardless of the purposes in practice.
(c) Are there any further topics that you feel the Board should add or remove from IVS 500 Financial Instruments? If so, what are they and what is your rationale?	Nothing that GCA has immediately identified.

GCA believes the ED sufficiently to extend 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.

As a Corporate Member of IVSC and as a founder of HK Chapter of IACVA, the Directors of GCA would like to share our view with market practitioners. Under our in-house expertises, we are confidence to assist clients in making sound strategic decisions and achieving specific business objectives.

Again, we are pleased to share our views in this letter and if you have any questions 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