



## The Stock Exchange of Hong Kong Ltd.

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20 August 2010

**BY FAX (2865 6776)  
AND BY POST**

Our Ref: LD/CC/101-10

Mr. Steve Ong  
Director, Standard Setting  
Hong Kong Institute of Certified Public Accountants  
37/F., Wu Chung House  
213 Queen's Road East  
Wanchai, Hong Kong

Dear Steve,

### **International Valuation Standards Council ("IVSC") Exposure Draft on proposed new International Valuation Standards ("IVSs") ("the Exposure Draft")**

We have completed our review of the Exposure Draft and our views are set out below.

One of the objectives of the Exposure Draft is to promote the convergence of existing valuation standards that are in use in different jurisdictions and business sectors for different purposes, including for inclusion in financial statements. We strongly support the IVSC's work to identify and set common terminology which should reduce complexity and improve consistency in the determination of valuations.

The Exposure Draft also provides guidance on fair value under International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and sets out specific considerations when performing valuations in determining fair value of assets and liabilities for financial reporting purposes. The Exposure Draft provides useful guidance of the principles and concepts to be adopted by valuers and will assist in ensuring consistency in valuation methodology and therefore comparability of financial statements where fair values are adopted.

However, we note that the Exposure Draft has not been endorsed by the IASB. To meet the objective of the Exposure Draft, we recommend that the IVSC should ensure that the views and comments from the IASB have been fully considered before the guidance is finalised.

In particular, we note that page 36 of the Exposure Draft expresses the view that the definition of "fair value" used by valuers is different from the meaning placed on the term under IFRSs. We also note that the discussion is based on "fair value" as defined in the IASB exposure draft issued in 2009. As the IASB is constantly reviewing and amending its standards, for the IVSs to be useful and relevant, they would need to be reviewed and

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kept up-to-date with the changes made to IFRSs. The IVSC will need to ensure that it has a mechanism in place that will achieve this.

The Exposure Draft includes “International Valuation Standard 105 – Valuation Reporting” and we note that valuation reports will be required to disclose and comply with the following:-

*“All assumptions and any special assumptions made should be clearly stated.”*

We note that the current common practice is that the assumptions mentioned are usually very generic or worded quite generally. We believe that the guidance should be expanded and require a valuer’s report to disclose details of the entity specific key assumptions applied in determining the valuation to provide a clear understanding of the specific formulas and assumptions used by the valuer in arriving at his valuation. For example, where an estimated discount rate or growth rate is used, the chosen rate adopted should be disclosed.

We also note that there is no “Code of Conduct” included in the guidance and the rationale expressed is because the IVSC is not a professional body responsible for accrediting or regulating valuers. We believe some form of ethics code should be incorporated which should be linked to the relevant professional bodies to which the person making the valuation is a member. In addition, we believe that the minimum valuation reporting requirements should not be restricted to a general statement on the “*Identification of the valuer and confirmation of competence*”. We believe the report should include a specific statement concerning the valuer’s independence as well as his qualifications including the professional valuation body to which he belongs.

We hope that the above comments are helpful.

Yours sincerely,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited



Colin Chau  
Senior Vice President  
Listing Division

CC/ESA/el

c.c. Mr. Mark Dickens – Head of Listing