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**LCH (Asia-Pacific) Surveyors Limited**

PROFESSIONAL SURVEYOR  
PLANT AND MACHINERY VALUER  
BUSINESS & FINANCIAL SERVICES VALUER

ESTATE AGENT'S LICENCE  
(COMPANY) NO. C-009053

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International Valuation Standards Board  
41, Moorgate,  
London EC2R 6PP,  
United Kingdom

By Email: [CommentLetters@ivsc.org](mailto:CommentLetters@ivsc.org)

Dear Sirs,

**Exposure Draft on Proposed New International Valuation Standards ("IVS")**

We have reviewed the Exposure Draft thereof, and would like to tender our comments and observations for your Board's consideration:

*IVS 101 - General Concepts and Principles*

**Para. 24 - Competence**

The proposed new IVS suggest that the valuer can be an individual or a firm (see also in IVS 104 - Scope of Work Para. 2 item a) and IVS 105 Valuation Reporting Para.5 item a)).

We noted that nearly all of the self-regulatory professional bodies in the global valuation practice have only individual full members who are required to observe the professional ethics and standards set by the respective professional bodies, and are required to sign on the valuation reports prepared by them. By signing on his/her valuation report, the valuer not only confirms his/her competence, but also accepts his/her responsibility in preparing his/her report. Some self-regulatory professional bodies have corporate members who are only eligible to receive information, but not to sign on a valuation report.

We took the view that the competence of a firm comes from its employees who are individual members of various self-regulatory professional bodies. Without these individuals' effort and competence, a firm is unable to claim itself as a competent valuer. Thus, for a firm to sign on a valuation report is unfair to the users and the public. Competent individuals can sign for and on behalf of a firm, but ultimately the responsible "valuer" should be the individual, not the firm. This is a common consensus in the global valuation practice. In some administrative areas, the proposed qualified valuer may contradict to the local statutory requirement, for instance, the Company Ordinance (Chapter 32) in Hong Kong required a valuer be an individual who is subject to the discipline of a professional body, but not a firm.

We therefore opined that a valuer should only be an individual who is a full member of a self-regulatory valuation organisation of professional individuals which admits individuals on the basis of their academic qualifications and experience, requires compliance with professional standards of competence and ethics established by the

organisation and has disciplinary powers including the power to suspend or expel a member.

We would suggest to delete the word “*or firm*” from relevant para(s).

### *IVS 102 - Valuation Approaches*

#### **Para. 5 - Cost Approach**

It is noted that the term “Depreciated Replacement Cost” is defined under the Glossary of Terms for the International Valuation Standards. Nevertheless, the definition does not elaborate on its relationship with Market Value, and in particular, that Depreciated Replacement Cost arrived at by the Cost Approach could in fact represent the Market Value of the property.

We would suggest for the last sentence of this paragraph to be amended to read:

“This adjusted figure is also known as the depreciated replacement cost.”

#### **Para. 6 - Hierarchy of Approaches**

A valuation standard should not be a valuation instruction manual and the IVSC should avoid preparing a handbook or manual with details for the global valuation practitioners to follow. The use of appropriate valuation approaches and methods should be at the discretion of the valuer, who will base on his experience and knowledge to apply the most appropriate valuation methodology under the then environment, and his choice is subject to potential legal challenge. It is inappropriate for IVSC to regulate or intentionally to suggest the so-called “hierarchy of approach” for the valuers to follow. By suggesting the hierarchy of approach for the valuers to follow, the IVSC not only limit the thinking process of the valuer in approaching an engagement, but also put itself open to possible legal challenge against its suggestion.

We opined that the most preferable approach or approaches for adopting in valuation by the valuer is dependent on an array of factors, not by instruction and/or regulation. For instance, in valuing investment properties which are subject to a schedule of existing tenancies, one may find it difficult, if not impractical, to make appropriate adjustment(s) on sales comparables to reflect the effect that the tenancies may have on the market value of the property. In this instance, although observable prices for identical or similar assets may be available at or close to the valuation date, the tenure of the asset may become the more determining factor in considering the appropriate preferred approach to the valuation.

### *IVS 201.04 - Valuation for Impairment Testing*

#### **Para. 15 Valuation Approaches**

Fair value less costs to sell is a procedural value derived by i.) to estimate the fair value (which is equivalent to market value); ii.) to estimate the costs to sell; and iii.) to deduct the costs to sell from the fair value to come up with the recoverable amount (i.e. fair value less costs to sell). Such kind of procedural value is difficult, if not impossible, to be arrived at by using one single approach to value because in each procedure different approaches to value may be used.

Should the IVSC consider that fair value equals to market value, it may appreciate that the fair (market) value of an asset would be arrived at by using either the Direct Market Comparison Approach, the Cost Approach or the Income Approach; or by using more than one approach to value. The IVSC may like to restrain from regulating the valuer on a particular approach to value to be adopted for arriving at a procedural value. In the even that the IVSC considers is inappropriate to use the Cost Approach, it would be appropriate for the reason(s) and its point of view to which type of the Cost Approach is inappropriate – the replacement cost or reproduction cost to be explicitly set out and explained. This is so especially as the market value of an asset can be its depreciated replacement cost offered in the market.

We would suggest to delete the two sentences starting from “Fair value less costs to sell ... or both elements of the recoverable amount” from Para. 15, and to replace with the sentence of “Fair value less costs to sell is a procedural value and the valuer is required to use appropriate approach(es) to value to determine the fair value and the costs to sell prior to arriving at the recoverable amount”.

Should you have any query, please do not hesitate to contact us.

Yours faithfully  
For and on behalf of  
**LCH (Asia-Pacific) Surveyors Limited**

Joseph C. Ho MRICS MHKIS RPS(GP)  
Managing Director