

ASSET VALUATION BULLETIN

VALUES

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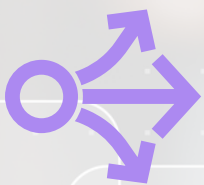
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EDITOR MESSAGE

Welcome to the Asset Valuation Bulletin issued by RHL Appraisal Limited. In this knowledge-based economy, a successful corporate management and investor need to be versatile to capture business opportunities, whilst understanding in accounting and finance is imperative to deal with the dynamic market. In response we launch this bulletin with the aim to share with you a wide range of useful knowledge and information, including but not limited to insight on current rules, and regulations, technical knowledge, market news and practical experience relating to asset valuation. We hope this bulletin could become one of your preferred knowledge update platforms.



MARKET FOCUS

HKSAR

Financial Secretary has mentioned in his Fiscal Budget 2021 that the Government shall revise the rating system as there were no major changes since 1995. The followings might be considered in such a revision, including a progressive element to the rating system, a regular basis of rates concession to be provided to owner-occupied properties, and a change of the primary liability for rates payment (from occupiers to owners).

Any changes of how much and who to pay shall have impact on the cash flow and the return. It is still remote to confirm whether the change of the rating system will impact the asset value. Yet, Landlord and tenant shall beware of such likely changes beforehand.



差餉物業估價署
Rating and Valuation
Department



国务院国资委

Source:

Hongkong : <https://www.budget.gov.hk/2021/eng/budget59.html>

PRC : https://www.gov.cn/premier/2021-03/17/content_5593562.htm

Mainland China

On 1st February 2021, Premier Li Keqiang signed a State Council Decree as regulations on State-owned assets of administrative and public institutions (hereinafter referred to as the 'Regulations'), which will come into force on 1st April, 2021.

The 'Regulations' require all departments and their affiliate units to evaluate the value of state-owned assets and determine the methods for asset allocation methods appropriately. If it is needed, the departments should base on collective decision-making and organize experts to conduct valuations in accordance with asset evaluation methods for performing approval procedures.

Here, asset valuation is again being mentioned and reflect its importance in safeguarding of national interest. We may also recall that Ministry of Finance has released "Notice by the State-owned Assets Supervision and Administration Commission of the State Council of Matters Concerning Further Strengthening the Management of Overseas State-owned Property Rights of Central Enterprises" (關於進一步加強中央企業境外國有產權管理有關事項的通知) on 20th November 2020. State Owned enterprises with overseas investment should pay more attention to engage proper valuation firm to provide advice before and after their acquisition and for disposal purpose.

"RHL Appraisal Limited is on the panel list as one of valuation organisations serving Central Enterprises accredited by the State-owned Assets Supervision and Administration Commission of the State Council in the People's Republic of China since 2012."



STANDARDS AND GUIDELINES

Global

The International Valuation Standards Council (IVSC) has published a perspectives paper to initiate discussion and debate on the topic of environmental, social, and governance (ESG) factors in business valuation on 2nd March 2021.

In addition, The International Organization of Securities Commissions (IOSCO) has released a statement noting the urgent need for implementing global sustainability standards and supporting a Sustainability Standards Board (SSB) under the IFRS Foundation.

With the increasing awareness on sustainability issues, we noted the increasing demand on related assessment and reporting requirement and ESG reporting is now a must for Listing companies in particular. Clients could consult our business valuation and consulting team for offering them with respective services.

Sources:

Global: <https://www.ivsc.org/news/article/perspectives-paper-esg-and-business-valuation>
<https://www.iosco.org/news/pdf/IOSCONEWS594.pdf>

PRC : <http://www.cas.org.cn/gztz/63593.htm>
<http://www.cas.org.cn/docs/2021-01/20210104154038877132.pdf>
<https://www.chinaacc.com/zichanpinggushi/ksdt/wa20210104194704.shtml>

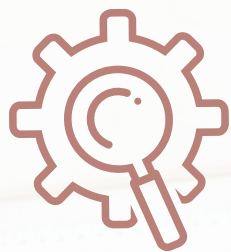
Mainland China

China Appraisal Society published “Guidelines to Asset Valuation Professionals No.11: Assessment of Goodwill Impairment” (资产评估专家指引第11号——商誉减值测试评估) and “Guidelines to Asset Valuation Professionals No.12: Evaluation of Discount Rate for Income Approach in Business Valuation” (资产评估专家指引第12号——收益法评估企业价值中折现率的测算) in January 2021 as a reference to professionals in the appraisal industry. The contents include the concerns for engagement, scopes and objectives for valuation, methodology for valuation, etc.

We will make reference to these contents and propose suitable methodologies to clients accordingly.



"The increasing demand on related assessment and reporting requirement and ESG reporting is now a must for Listing companies in particular."



PRACTICES ISSUES

For many years, interbank-offered rates (IBORs) have set the benchmark rate for lending on an unsecured basis. By the end of 2021, countries (including the U.S.) plan to phase out IBOR and move to a new benchmark known as alternate reference rates (ARR). The International Valuation Standards Council (IVSC) has issued a Perspectives Paper—IBOR Transition: A Valuation Guide that outlines the key challenges that arise for valuation professionals from the termination of IBOR. The paper also summarizes the areas that can contribute to “valuation uncertainty” and thereby increase “valuation risk” in appraisals of financial instruments arising from the transition away from IBOR.



Source: <https://www.ivsc.org/news/article/perspectives-paper-ibor>

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OUR GROUP

RHL International is one of the pioneering professional valuation and real estate consultants in Asia. Established since 1972, our group offers high quality professional services on Corporate Valuation & Advisory and Real Estate Solution & Surveying Practice. As an active participant in exchanging ideas and experience with regulators, government institutions and corporations, our group maintains vigilant to the dynamic changes in the market. Leveraging our extensive track record, technical resources and market intelligence, we are dedicated to provide tailored services to meet with the unique needs of our clients.

CORPORATE & VALUATION ADVISORY

Our experience in operating businesses in the mainland China and cooperating with overseas parties has become our competitive advantage in offering comprehensive client solution to overseas as well as mainland clients.

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- **Project Feasibility Study and Advisory**
- **Financial Analysis**
- **Investment Advisory**
- **Due Diligence**
- **Portfolio, Asset and Facilities Management**
- **ESG Reporting**

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