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3 December 2010

BY FAX (2865 6776)
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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 Board ("IVSB") Discussion Paper on Valuation Uncertainty (the "Discussion Paper")

I refer to your letter dated 3 November 2010 on the above to our Mr. Mark Dickens which has been passed to me for my attention.

We have reviewed the Discussion Paper and we fully support the IVSB's efforts to improve the transparency and disclosures on valuation uncertainty. The Discussion Paper sets out the preliminary views of the IVSB on the nature and causes of valuation uncertainty and on how this should be communicated to users. The Discussion Paper also concludes that for disclosure of material uncertainty to be useful it will normally require a commentary on the nature and causes of uncertainty.

For financial reporting, we believe financial information should be relevant, reliable and show a faithful representation of the transactions undertaken by a reporting entity. We have significant concerns on the adoption of fair value as a measurement basis and in particular fair value measurements made under hierarchy Level 3, where inputs are based entirely on assumptions which are inherently subjective and not verifiable.

In June 2010, the IASB issued an exposure draft on "Measurement Uncertainty Analysis Disclosure for Fair Value Measurements" which sets out a proposal to require disclosure of a "measurement uncertainty analysis" of the inputs used to measure fair value in Level 3 in the financial statements. Paragraph 32 of the IVSB Discussion Paper states the IVSB's view on the IASB's exposure draft as follows:-

"... the Board considers that providing tabular and numeric illustrations of valuation uncertainty will rarely provide a user of a financial statement with useful information. There is significant potential for such disclosures to actually create or add to uncertainty in the mind of the user. The solutions identified by IASB seem to

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reflect a desire that valuations used in accounting be capable of strict numeric analysis and presentation. However, this approach fails to properly recognise that valuation requires the exercise of judgement and is not a purely numeric discipline. User confidence in valuations requires transparency in the entire process, and adequate explanation of all material factors that impact on the valuation, including any material uncertainty. This is more likely to be provided by a relevant commentary than a tabular presentation of alternative values.”

We agree with the IVSB’s view and we would suggest that the IVSB should develop useful detailed guidance on disclosures required in valuation reports, including those on valuation uncertainty. We believe the guidance should cover a clear description of the valuation methodology and details of the specific variables and assumptions used. Where valuations are made on a regular basis, comparative information on the variables and assumptions adopted in prior years should also be disclosed, and if there has been a change in the variables and assumptions used, details of the changes together with reasons.

We hope that the above comments are useful.

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