



COMPANY VALUATION

WHEN TO VALUE?

CIRCULAR

According to the requirements under Chapter 14 of the HKEX Listing Rules, a circular needs to contain a valuation report when the following transactions happen: 1) Major Transaction, 2) Very Substantial Disposal/Acquisition, 3) Connected Transaction, and 4) Reverse Takeover.

HOW TO VALUE?

Preferred
Market Approach

By comparing the target company being valued with the transacted company values of similar and comparable companies as a reference, with appropriate adjustments to assess the fair value of the target company.

Accepted
Income Approach

By converting the anticipated cash flows that a company is likely to generate in the future into a present value amount.

Special Cases
Cost Approach

Sum of the fair values of all tangible and intangible assets and liabilities of a company based on the balance sheet of the company being valued.

REAL PROPERTY VALUATION

WHEN TO VALUE?

IPO

According to the requirement of the HKEX Listing Rule 5.01, (1) if an applicant is engaged in property activities and a property interest with a carrying amount is above 1% of its total assets, or (2) if an applicant is engaged in non-property activities, and a property interest with a carrying amount is above 15% of its total assets, a listing document must include valuations of and information on property interests.

CIRCULAR

According to the requirement of the HKEX Listing Rule 5.02, for an acquisition or disposal of any property interest, or of a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in HKEX Listing Rule 14.04) of the transaction is or is above 25%, a valuation of and information on the property must be included in the circular.

HOW TO VALUE?

Preferred

Market Approach

Compare a property with comparable properties that have been recently transacted near the valuation date, with appropriate adjustment to the known transaction prices of these comparable.

Accepted

Income Approach

Discount the future normalized operating cashflow of a property to present value at the valuation date by capitalization rate. It is used for valuing properties with existed or potential incomes.

Special Cases

Cost Approach

Estimate the cost of replacement and re-constructing an equivalent property, less depreciation to determine an objective and reasonable value or price of the property being valued. It is used when other approach is not applicable.

PLANT AND MACHINERY VALUATION

WHEN TO VALUE?

CIRCULAR

According to the requirements under Chapter 14 of the HKEX Listing Rules, a circular must contain a pro forma financial statement reflected Fair Value of plant and machinery when the following transactions happen: 1) Major Transaction, 2) Very Substantial Disposal/Acquisition, 3) Connected Transaction, and 4) Reverse Takeover.

HOW TO VALUE?

Preferred Market Approach

Compare with similar items that have been transacted in the market or that are listed or offered for sale, with appropriate adjustments to reflect different status and functionalities of the subject assets.

Accepted Income Approach

Estimate the income that an asset will generate over its remaining useful life and aggregate the present values of the cash flows to arrive a value.

Special Cases Cost Approach

Estimate the reproducing and new replacement costs of the current asset, including transportation, installation, commissioning, consulting costs, etc, and then adjust the value for the current status, remaining useful life, and obsolescence of the subject asset.

FINANCIAL INSTRUMENT VALUATION

WHEN TO VALUE?

CIRCULAR

According to the requirements under Chapter 14 of the HKEX Listing Rules, a circular must contain a pro forma financial statement reflected Fair Value of financial instrument when the following transactions happen: 1) Major Transaction, 2) Very Substantial Acquisition/Disposal, and 3) Reverse Takeover.

FINANCIAL REPORTING

According to the requirements of HKFRS 7 and 9, financial assets and liabilities are required to be measured at fair value at the initial issue date and subsequently at the end of each reporting period.

HOW TO VALUE?



Option/
Convertible Bond

Derive company rating by international rating method, followed by binomial model method and DCF method.



Preferred Share

Derive company rating by international rating method, followed by option pricing model method and DCF method.



Guarantee

Derive company rating by international rating method, followed by binomial model method.



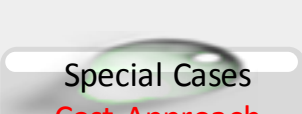
MINERALS AND ENERGY VALUATION

WHEN TO VALUE?

CIRCULAR

According to the requirements of the HKEX Listing Rule 18.9, a mineral company proposing to acquire or dispose of assets which is a Major (or above) must contain Transaction a Mineral or Petroleum Asset Valuation Report¹ in the circular.

HOW TO VALUE?

 <p>Preferred Market Approach</p>	Based on the recent market comparable transactions, and with appropriate adjustments to reflect different grade or characteristics, to determine the fair value of the subject mineral assets.
 <p>Accepted Income Approach</p>	Aggregating the present values of all the anticipated cash flows to be generated in the future from the mineral assets.
 <p>Special Cases Cost Approach</p>	Based on the expenses incurred for developing the subject mineral assets to estimate the valuation of the mineral assets.

¹ Valuation Report refers to the public valuation report prepared by a Competent Evaluator² on Mineral or Petroleum Assets in compliance with the Chapter 18 (Rule 18.34) and the valuation of the Mineral or Petroleum Assets is prepared under the VALMIN Code, SAMVAL Code, CIMVAL or such other code approved by the Exchange from time to time.

² A Competent Evaluator must (1) have at least ten years relevant and recent general mining or petroleum experience (as appropriate); (2) have at least five years relevant and recent experience in the assessment and/or valuation of Mineral or Petroleum Assets or securities (as appropriate); and (3) hold all necessary licenses.

BIOLOGICAL ASSET VALUATION

WHEN TO VALUE?

FINANCIAL REPORTING

According to Hong Kong Accounting Standard 41:

- (1) A biological asset shall be measured on initial recognition, such as at the date of birth of a calf or a crop day, and at the end of each reporting period.
- (2) An agricultural produce harvested from an entity's biological assets shall be measured on initial recognition, such as at the harvest day, and at the end of each reporting period.

HOW TO VALUE?

Preferred Market Approach

If there is an active market for the biological assets or agricultural produce, the open quotation from the active market is an appropriate basis for determining the fair value of the asset.

Accepted Income Approach

If there is no active market for the biological asset, the sum of present value of the estimated net cash flow from the biological asset is used to determine the fair value.

Special Cases Cost Approach

Applicable when little biological transformation has taken place since initial cost incurrence, and the impact of the biological transformation on price is not material, e.g. just planted seedlings.

INTANGIBLE ASSET VALUATION

WHEN TO VALUE?

CIRCULAR

According to the requirements under Chapter 14 of the HKEX Listing Rules, a circular must contain a pro forma financial statement showing a purchase price allocation and an intangible assets and intellectual properties valuation when the following transactions happen: 1) Major Transaction, 2) Very Substantial Acquisition/Disposal, and 3) Reverse Takeover.

HOW TO VALUE?

Trademark,
Copyright

Relief-from-Royalty Method / Multi
Period Excess Earnings Method

Patent, Technology,
Internet Domain

Multi Period Excess Earnings Method

Customer
Relationship

Multi Period Excess Earnings Method

Buy/Sell/Non-
Competition/Lease
Agreements

Comparative Income Difference Method

Software, Formula,
Database

Comparative Income Difference Method
/ Multi Period Excess Earnings Method

PURCHASE PRICE ALLOCATION VALUATION

WHEN TO VALUE?

CIRCULAR

According to the requirements under Chapter 14 of the HKEX Listing Rules, a circular must contain a pro forma financial statement showing a Purchase Price Allocation¹ valuation when the following transactions happen: 1) Major Transaction, 2) Very Substantial Acquisition/Disposal, and 3) Reverse Takeover.

FINANCIAL REPORTING

According to IFRS 3 (Revised), a Purchase Price Allocation valuation is required after “a corporation is combined”.

HOW TO VALUE?

Asset (A)/ Liability(L)	Type	Valuation Approach	Valuation Method
A	Securites	Market Approach	Direct Compare
A	Trademark/Copyright	Income Approach	Relief-from-Royalty Method
A	Patent/Technology	Income Approach	Excess Earning Method
A	Customer Relationship	Income Approach	Excess Earning Method
A	Machinery/Equipment	Cost Approach	Replacement Cost Method
L	Account Receivable	Cost Approach	Adjusted Book Value Method
L	Long Term Debt	Income Approach	Discount Cashflow Method
L	Share Option	Income Approach	Binomial Model
A	Goodwill	Purchase Price less Adjusted Net Asset Value	

¹Purchase Price Allocation: As at the acquisition date, the purchase price is allocated into various tangible and intangible assets acquired, liabilities assumed, goodwill, etc.



Photograph by Rongbin Shi

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ABOUT US

AP Appraisal Limited (formerly named Hung Association Appraisal and Professional Services Limited) provide valuation and professional consulting services specifically for the Hong Kong Stock Exchange listed companies to meet the requirements of the annual report and the requirements of valuation report for circular purpose. Through collaboration with Zhong Cai Bao Xin Asset Appraisal, has received 1st-grade real estate appraisal qualification, A-grade land appraisal qualification, asset appraisal qualification, securities and futures appraisal qualification. We also established both national and international professional team including registered real estate valuers, registered land valuers, registered asset appraisers, appraisers from American Society of Appraisers (ASA) of United States, appraisers from Royal Institution of Chartered Surveyors (RICS) of UK, appraisers from Australasian Institute of Mining and Metallurgy (AUSIMM) of Australia, and appraisers form Canadian Institute of Mining, Metallurgy and Petroleum (CIMICM) of Canada in order to cater for domestic and foreign customers with reliable, high-quality appraisal and consulting services.

Hong Kong and International Service

AP Appraisal Limited provide domestic and international valuation and consultancy services to clients, such as valuation of equity, intangible assets, financial instruments, machinery and equipment, biological assets, such as comprehensive advisory

services. Over the years, we provide comprehensive services for many listed companies, and established a strong network of cooperative relationships with well-known investment banks, accounting firms and other intermediary institutions. Our company has widely recognized international valuation qualifications. We also have global database resources (Bloomberg, Capital IQ, etc.) to ensure that our service quality and accuracy. Our service philosophy is: to provide customers with one-stop services and solutions.

Mainland China Service

We are committed to providing reliable service to business customers in mainland China. Through our china office and license, we can conduct various valuation and advisory work in China, in order to ensure every transaction of our client, such as transfer of asset or equity, such as the need for an independent valuation report for the SASAC and the Ministry of Finance (MOF) approval and filing. We can also engage in domestic listed company's assets valuation, including valuation of their financial assets as well as options and derivatives to prepare for China Securities Regulatory Commission (CSRS) approval and filing.



INDUSTRY SERVED

We have wealthy experience in valuation of tangible and intangible assets in various industries, including but not limited to:

Agriculture	Water
Mining	Road and Rail
Chemical	Oil and Gas
Consumer Goods & Services	Paper and Forest
Bank	Medical
Government	Hotels & Resorts
Architectural Engineering	Insurance
Education	Technology and Electronics
Tourism	Entertainment and Movie
Manufacturing	Traffic
Real estate	Utilities and Power

Listed company we had served, including but not limited to:

8021 WLS Holdings	8195 L&A INTL HOLD
8365 VBG INTL	1360 MEGAEXPO HLDG
0391 MEI AH ENTER	6828 BG BLUE SKY
0286 CS HEALTH	0646 CHINA ENV TEC
0231 PING AN SEC GP	0166 NEWTIMES ENERGY
0039 CH BEIDAHUANG	2349 CH CITY INFR
0518 TUNGTEX (HOLD)	1539 SYNERGY GROUP
0899 ASIA RESOURCES	3788 CHINA HANKING
8098 CL GROUP	0359 HAISHENG JUICE
1094 C P PROCUREMENT	1219 TENWOW INTL
8391 ELEGANCE PRINT	NASDAQ: GPHG GLOBAL PHARM
0442 KTL INTL	TSX: JDN JAYDEN RES
0515 TC ORI LIGHT	SGX: 579 OCEANUS
0033 ASIA INV FIN	SH: 601158 CHONGQING WATER

VALUATION SERVICE

COMPANY

Group / Company / Share Equity

REAL PROPERTY

Land / Residential / Commercial / Office / Retail / Industrial /
Complex

PLANT AND MACHINERY

Power or Water Plant / Production Plant / Machinery / Electronics
/ Furniture / Computer Hardware / Motor Vehicle / Ships

INTELLECTUAL OR INTANGIBLE ASSET

Brandname / Trademark / Patent / Using right / Domain Name /
Customer Relationship / Contract, Software / Database

MINERAL RESOURCES AND ENERGY

Precious Metal, Rare Metal / Rare Earth Element / Oil / Gas /
Mining Right / Exploration Right

FINANCIAL INSTRUMENT

Common share / Bond / Note / Futures / Option / Guarantee /
Preferred / Convertible / Redeemable Derivative

BIOLOGICAL ASSET & AGRICULTURAL PRODUCTS

A living animal or plant, e.g. Sheep / Trees in a plantation forest /
Plants / Dairy cattle / Pigs / Bushes / Vines / Fruit trees

A harvested product of a biological assets. e.g. Wool / Felled trees /
Cotton / Harvested cane / Milk / Carcass / Leaf / Grapes / Fruit

OUR AIM

CORPORATE CULTURE

- Integrity
- Professionalism
- Fairness
- Efficiency

AIM IN THE PROCESS

Finish an AI valuation interface for users to use online for free.

Establish a valuation database based on China and Hong Kong Market.

Open a Hong Kong and international certified valuer exam course.

Complete a human valuation model.

(If you are interested, please contact and cooperate with us immediately)



DIRECTOR

PAUL HUNG



EXECUTIVE DIRECTOR

Mr. Paul Hung is responsible for land, real property, mining and business valuation in greater china and overseas. Before joining AP Appraisal Ltd., Mr. Paul hung worked as Associate Director in CBRE Ltd. and Savills Plc., and was responsible for the business valuation in Hong Kong and the PRC for purpose of IPO, circular, auditing and etc. Mr. Paul Hung used to work in venture capital company and responsible for valuation of different mineral resources projects in china and overseas, direct investment, and worked as vice mine manager for acquired mine company. He was in charge of exploration, mining, metallurgy, environment, safety, and other daily operation including technical operation, cost control, and risk management.

Professional Accreditations/Association

Registered Surveyor	Royal Institution of Chartered Surveyor
Accredited Senior Appraiser	American Society of Appraiser
Certified Business Appraiser	Institute of Business Appraisers of United States
Professional Member	Geological Society of America
Member	Australasian Inst. of Mining and Metallurgy
Member	Canadian Inst. of Mining, Metallurgy & Petroleum
Member	AICFC
Lecturer	Master Degree of Valuation, Capital University of Economics and Business of Beijing.



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