

## FREQUENTLY ASKED QUESTIONS

### ASSET VALUATION

**1) What are the updates made to the Asset Valuation Guidelines which take effect from 3 August 2009?**

- Following the issuance of the Asset Valuation Guidelines on 8 May 2009 and the subsequent feedback received, the Securities Commission has made amendments to the said guidelines to provide clarity. These amendments are illustrated in the table below.

Chapter	Reference/Description	Version dated 8 May 2009	Updated on 3 August 2009
2	Definition of 'real estate'	means land and all things that are a natural part of the land as well as all things attached to the land both below and above the ground.	means land and all things that are a natural part of the land as well as all things attached to the land both below and above the ground <u>and includes rights, interests and benefits related to the ownership of the real estate.</u>
5	Assumptions used in the valuation	paragraph 5.18  Where assumptions are used in the valuation, a valuation reflecting its existing state, condition and status must also be provided, where relevant.	paragraph 5.18  Where assumptions are used in the valuation, <u>such assumptions must be clearly stated in bold and capital letters as required in paragraph 4.03.</u>
7	Requirements for Valuation of Specific Property Assets – Land for immediate development	paragraph 7.19  Residual or discounted cash flow method can only be adopted for land that can be developed in the immediate future within the next five years.	paragraph 7.19  Residual or discounted cash flow method can only be adopted for land that can be developed in the immediate future <u>where the type and timing of development anticipated are realistic and justifiable.</u>

7	Requirements for Valuation of Specific Property Assets – Land for future development	<p>paragraph 7.20</p> <p>For the remaining area where the development is not in the immediate future, the comparison method is to be adopted.</p>	<p>paragraph 7.19</p> <p>For the remaining area where the development is not in the immediate future, the comparison method is to be adopted, <u>taking into consideration that the remaining land is not for immediate development.</u></p>
---	--	---	--

- The Securities Commission has also included in the guidelines a section on Best Practices. The purpose of the Best Practices is to provide clarification on the requirements of the guidelines and guidance on what the SC regards as best practices in the valuation of property assets. It is hoped that these practices will assist the valuer in arriving at a valuation that is reliable, reasonable and well-founded.

**2) If the market values of the property assets are disclosed in the prospectus, are the valuation reports required to be submitted to the SC?**

- Yes, the valuation reports are required to be submitted when the market values are disclosed in the prospectus, even though they are not utilised in the corporate proposals. These reports will need to comply with Asset Valuation Guidelines.
- The valuation reports and the valuation certificates together with a cover letter from the principal adviser shall be submitted concurrently with the submission of the draft prospectus and addressed to:

The Chairman

Securities Commission Malaysia

3 Persiaran Bukit Kiara

Bukit Kiara

50490 Kuala Lumpur

(Attention: Asset Valuation Audit Department)

- 3) Paragraphs 5.35 and 9.05 (a) of the Equity Guidelines require a valuation report on material real estate be submitted by a property investment and property development corporations seeking listing while paragraphs 7.12 and 9.05 (c) require the same in the case of back-door listings and reverse take-overs where the asset acquired by the listed corporation is that of a property development or property investment corporation.**

**What will be considered as material real estate?**

- These will be the real estate owned by the corporations that will reflect a close estimate of the total real estate value of the corporation.

- 4) Paragraph 8.04 of the Prospectus Guidelines requires that disclosure be made on any regulatory requirement and environmental issue which may materially affect the corporation's utilisation of assets.**

**What are the regulatory requirement issues which may materially affect the corporation's utilization of assets?**

- The regulatory requirement issues that can materially affect the corporation's utilisation of assets may, amongst others, include any breaches of the relevant laws, regulations, rules and requirement relating to the property assets. Examples of material breaches are occupation without the certificate of fitness, illegal extensions and land with agricultural title used for industrial purposes.

- 5) Who can carry out the valuation of property assets located overseas?**

- As stated in the paragraph 3.07 of the guidelines, an independent valuer registered with the Board of Valuers, Appraisers and Estate Agents as defined under paragraph 3.05 and whose firm meets with the eligibility criteria stated under paragraph 3.03 can carry out valuations of property assets located overseas.
- Alternatively, a foreign independent valuer registered with a recognized professional body can also carry out such valuations. In this regard, the recognized professional body is one that regulates or licenses the valuer either in the country where the property is located or one that is accepted internationally as standard setters. However, his firm must also comply with the requirements in paragraph 3.03 (a), (b) and (c).

- 6) Paragraph 7.21 (b) of the Asset Valuation Guidelines states that in the valuation of joint venture interests, one of the conditions imposed is that “construction must have commenced and contract awarded”

**What is meant by “construction must have commenced”?**

- The construction is considered to have commenced when the physical work on site has progressed beyond site clearance.