

**Presentation to
State-owned Assets Supervision
and Administration Commission**

国务院国有资产监督管理委员会

by

American Society of Appraisers

ASA Welcomes Distinguished Guests

- Deng Zhixiong Director General
- Gao Zhiyu Division Chief
- Li Xiaoliang Division Chief
- Li Miao Deputy Division Chief
- Wang Shaofei Deputy Division Chief
- Liu Siyong Section Chief
- ASA wishes to thank Chengjun Wang of China Valuer International Co., Ltd. for assistance with this meeting
 - Chengjun Wang leads the China Committee of ASA



ASA Representatives

- Daniel R. Van Vleet, ASA
 - ASA International Vice President
 - ASA Business Valuation Instructor
 - Author and Speaker
 - Managing Director, Stout Risius Ross, Chicago, IL
- Raymond D. Rath, ASA
 - ASA Business Valuation Committee
 - ASA Business Valuation Instructor
 - Developer of ASA Intangible Asset Courses
 - Director, PricewaterhouseCoopers, Los Angeles, CA



ASA Objectives

- Enhance public trust of appraisal profession
- Develop and maintain principles of appraisal practice
- Develop and enforce codes of ethical behavior
- Provide valuation education to all interested parties
- Award professional credentials to qualified individuals
- Promote research in all fields of appraisal
- Co-operate with other appraisal societies and organizations to achieve the ASA Objectives



ASA Overview

- Not-for-profit professional society
- Multi-disciplinary appraisal society
 - Business Valuation (including intangible assets)
 - Machinery & Equipment
 - Real Property – Real estate, buildings, etc.
 - Personal Property – Fine arts, jewelry, etc.
- High education and qualification standards
 - Only 5,000 admitted members
- Substantial involvement in international activities
- World headquarters in Washington, DC

ASA International Activities – China

- Agreement with China Appraisal Society (CAS)
 - MOU signed in Washington DC on August 15, 2011
 - Mdme Liu Hongwei, Chinese Ministry of Finance
 - Mdme Liu Ping, China Appraisal Society
- Joint conference with CAS in Beijing September 2011
 - Valuation of Plant, Machinery, and Equipment
- Prior ASA China educational offerings
 - Business Valuation 201 and 202
 - Intangible Asset Valuation
 - December 2011 in Beijing



ASA International Activities – Other

- Sponsoring organization of the International Valuation Standards Council (IVSC)
- ASA members on the Board of Trustees and the International Valuation Standards Board of the IVSC
- Co-founder of the International Institute of Business Valuers (IIBV)
 - International business valuation education organization
- Business valuation and machinery and equipment education programs offered in Asia, Europe, Australia, and South America



ASA Business Valuation Discipline

- Valuation of businesses, equities and intangible assets
 - Common stock, preferred stock, options, etc.
 - Copyrights, patents, technology, etc.
- ASA business valuation credential is highly regarded
- ASA business valuation and intangible asset education is highly regarded
- ASA members have published the leading books and articles on business valuation
- Top business valuation experts are leaders in the ASA



Books by ASA Members

- *Valuing a Business*
- *Valuing Intangible Assets*
- *Cost of Capital*
- *Valuing Small Businesses and Professional Practices*
- *Handbook of Advanced Business Valuation*
- *Business Valuation and Taxes*
- *Financial Valuation: Applications and Models*
- *Business Valuation Discounts and Premiums*
- *Guide to Business Valuations*



ASA Business Valuation Education

- Basic business valuation coursework
 - U.S. domestic education delivered through the ASA
 - International education delivered through the IIBV
- IIBV is a joint venture between ASA and Canadian Institute of Chartered Business Valuers (CICBV)
 - IIBV is a not-for-profit group of appraisal organizations
 - CAS may become a member organization
- Advanced business valuation coursework
 - U.S and International education delivered through ASA
 - ASA is interested in cooperation with CAS and SASAC to design advanced valuation coursework



Current Economic Environment

- United States and Europe
 - Volatile stock markets, high levels of government spending and debt, high unemployment rates, low interest rates, and low growth in GDP
- China
 - Strong GDP growth, conservative fiscal policies, technology advancements, market reforms, and expanding credit markets indicate China will continue to prosper and grow
- Economic conditions in U.S. and Europe are different from China and valuation methods must keep pace with those differences



Changing Valuation Environment

- Worldwide capital markets are developing and becoming more efficient
- Valuation methods and research must consider capital market data other than U.S.
- Research work conducted by Elroy Dimson, University of London, and Campbell Harvey, Duke University, have contributed to this knowledge
- Values derived from U.S. publicly traded companies may not be reliable when valuing China companies
- ASA members are at the forefront of knowledge in this area



Market Value and Investment Value

- Fluctuating stock markets can affect market values
 - Values may not be reliable in certain countries
 - Public companies may not have operations or risks associated with certain countries
- Income approach is affected by market conditions
 - Discount rate can be affected and should be adjusted for specific country economic conditions
- Projected growth rates and profits of business must reflect economic conditions in the specific country
- Investment value may be more appropriate when valuing a company for a specific buyer

China Specific Valuation

- International cost of capital models
 - Must consider lower risk features of China economy
- Economic research on expected growth
 - International Monetary Fund (IMF)
 - Congressional Research Service (CRS)
- Should consider public companies with substantial China operations
- Continued productivity gains and infrastructure investment by China
- Economic outlook for China – Positive



Summary

- ASA has substantial education expertise in the valuation of businesses and other assets
- ASA is committed to cooperating with China and other countries to develop education programs
- ASA is cooperating with CAS and China Committee of the ASA in education programs
- ASA is Internationally involved in development of business valuation standards and code of ethics
- ASA looks forward to cooperation and agreements with SASAC regarding development of education programs, valuation standards, and code of ethics

Thank You!

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