



Merger and acquisitions ( "M&A" ) is one of the common ways for companies to achieve additional growth by creating synergies, gaining access to unique capabilities and etc. Whether the M&A adds value to the firm depends fundamentally on a proper evaluation of the transactions. Increasing concerns on the fairness of the transactions are also observed among the public. Regulators are imposing stricter rules and disclosure requirements on transactions. With our extensive professional experience on business valuations, we are capable to provide valuation services that suit your needs.

## Value Analysis in M&A

### 1. Preliminary Assessments on the Transactions

While entering into a deal, whether as a buyer or as a seller, an independent valuation over the business enterprise value is one of the key ingredients for the determination of consideration and achieving the strategic objectives of the transaction.

### 2. Disclosures of the Transactions

Listed companies are required to disclose details of the transaction, in particular the basis upon which the consideration was determined, if it is classified as a share transaction, disclosable transaction, major transaction, very substantial disposal/acquisition or reverse takeover as soon as the transaction has been finalized under Chapter 14 of the Main Board Listing Rules of the Stock Exchange of Hong Kong.

Recently, the Securities and Futures Commission has also issued guidance on use of valuations in corporation transactions to the directors, emphasizing the need for determining a fair and reasonable consideration of the transactions.

Through addressing the key issues identified during the course of work, assisting management to prepare or review the business valuation model and assessing the reasonableness of assumptions adopted by leveraging our industry experience,

our dedicated team could assist you in the preliminary assessment and disclosure process of the transactions regardless of the complexity of the deal structure.

## Purchase Price Allocation Valuations

In every M&A transaction, it often requires the acquirers to measure the tangible and intangible assets concerned at their fair values as of the transaction date and report such values on their balance sheet, in accordance with relevant accounting standards such as HKFRS 3(R), IFRS 3 and US GAAP ASC 805. Our finance and accounting expertise, together with our extensive industry knowledge and practical valuation skills, is capable of performing such valuations for financial reporting.

## Other Valuations for Corporate Transactions

There are different types of corporate transactions apart from M&A, such as restructuring, corporate financing, spin-off transactions, etc. Independent valuations could assist management in determining the fair values of the subject assets or businesses for evaluation purposes. AVISTA has diversified experience in valuations for private and public listed companies located in various countries around the globe. We can tailor-make the scope of the engagement to suit clients' needs.



To comply with various financial reporting standards, companies may be required to have an independent and objective assessment of the fair values of their assets and liabilities. AVISTA has a strong team of accounting, finance and real estates' experts. With our diversified experiences of handling numerous valuation cases for private and public listed companies located in various countries around the globe, we can tailor-make every engagement to suit clients' needs.

## **BUSINESS VALUATION**

Upon completion of a deal, in particular as a purchaser, companies are required to report the fair values of their investments on the financial statements.

We have extensive experience in providing valuation services ranging from US and HK listed companies to pre-IPO candidates to small-and medium sized enterprises. Regardless of the complexity of the deal structure, our dedicated team will assist you in selecting the most appropriate business valuation techniques to smoothen the work process.

## **PURCHASE PRICE ALLOCATION ("PPA") VALUATION**

In every merger and acquisition transaction, acquirers are often required to measure the fair value of the tangible and intangible assets as of the transaction date and report such values on their balance sheet, in accordance with relevant accounting standards such as HKFRS 3R, IFRS 3R and US GAAP ASC 805.

Our finance and accounting expertise, together with our extensive industry knowledge and practical valuation skills, capable of performing valuations for financial reporting or internal reference purposes.

## **FINANCIAL INSTRUMENTS VALUATION**

For most of the transactions nowadays, cash is no longer the only item to be considered for payment. It is becoming more popular to structure a transaction with the involvement of various types of

financial instruments. Hence, an independent valuation on such items may be required for financial reporting of both public and private companies, according to relevant accounting standards such as IFRS 2, IAS 32 and IAS 39.

AVISTA can customize the most appropriate valuation model to reflect the terms and clauses of the particular instruments precisely. In addition to the widely adopted binomial model and Black-Scholes model, trinomial model and Monte-Carlo model may also be alternatives in financial instrument valuation.

## **IMPAIRMENT ASSESSMENT**

The value of a company's assets, both tangible and intangible, could be impacted by external economic conditions and volatile financial markets. As a result, companies are required to measure and report the corresponding losses arisen from impairment assets. AVISTA offers valuation and accounting expertise to conduct impairment testing on goodwill, tangible assets and definite/indefinite-lived intangible assets

## **SHARE-BASED PAYMENT VALUATION**

Companies may adopt various forms of share-based payments as a form of incentives nowadays. AVISTA assists companies in meeting the requirements of accounting standards in relation to share-based payment transactions, such as the issuance of employee stock options, to ensure that the effect of these transactions is correctly reflected in financial statements.



A real estate project in today's economic point of view can no longer be classified as a separate item. In fact, given the advance of market reform, trade system, industrial diversification, standardization of accounting system and securitization of properties, real estate has become a devoted part in any business. AVISTA real estate team provides professional and independent assessment for the above-mentioned real estate appraisals. Our experiences cover various types of properties including hotels, clubs, motorway, power stations, pier terminals, shopping malls, apartments, factories, industrial parks and others. Our valuation purposes range from IPO listing, mergers and acquisitions, market researches, fair rental value opinions, financial reporting and many others.

#### **Public Disclosure**

We have extensive experience in providing property valuation services for IPO purpose in compliance with the Listing Rules of Hong Kong for both Main Board (Chapter 5) and GEM Board (Chapter 8). We also provide opinion on the fairness and reasonableness of property rent, and usage compliance opinion to check whether the property use is complied with the relevant laws and regulations. Besides, we could perform valuation in relation to the acquisition or disposal of major properties for announcement.

#### **Financial Reporting**

We could assist companies to have assessment of their property interests for financial reporting purpose in accordance with relevant standards, including but not limited to valuation of Property, Plant and Equipment (IAS 16), valuation of Investment Property (IAS 40), Purchase Price Allocation (IFRS 3(R)), Asset Impairment Test (IAS 36), favorable or unfavorable lease analysis, etc.

#### **Pre-deal Advisory**

A property investment deal or development plan is not only related to finance, but also many other factors that need to be taken into consideration, such as economy, politics, society and natural environment. Our real estate team could analyze related aspects and advise our clients on the comprehensive feasibility of a real estate project. Effective and independent advices concerning the acquisition or development of major properties could be given to board of directors or investment committees for internal reference.

#### **Fund Raising**

AVISTA real estate team could offer professional and independent valuation services in connect with fund raising. We could conduct comprehensive market research with financial modeling advisory, market value of the portfolios to be securitized or targeted properties to be acquired, consider the finance costs and other business factors to estimate IRR, and perform sensitivity analysis for investment decision making.