Feedback on the "Procedural Guidelines for Fairness Opinions"
(exposure draft) by China Appraisal Society

1. Questions 2 (P iv)

We recommended there is a distinction between the “detailed” and “for disclosure” version of the report. Guideline should specify that the detailed version cannot be used for public disclosure. There should not be significant distinction between the two formats. The content for public disclosure should be definite, so as to avoid misuse and confusion.

2. Questions 6 (P v)

In “what is a fairness opinion?”, the guideline should include criteria for determination, or characteristics of “fairness” should be defined. This definition should be in agreement with the opinion letter, engagement background (C), analysis (O), type of value. (According to the current description, "fairness" opinion can adopt investment value or special value).

3. Questions 7 (P vi)

The commissioning party and user of the fairness opinion should be clear defined.

The users of fairness opinion users are too. Users with varied
knowledge background and integrity, there is a potential for abuse for the use of fairness opinion.

4. Others

1) Under section 5 (page 4): Examples of transactions for which fiduciaries would commission a FO include, but are not limited to, the following", please add: for purchase or sale of government or state-owned enterprises.

Note: In the world many, countries have state-owned enterprises. In state-owned enterprises management and owners are separated, state-owned enterprise managers is actually the state-owned property trustees. Therefore assets transactions of the state-owned enterprise should be fair value opinion report.

2) Under section 5 (page 4): Examples of transactions for which fiduciaries would commission a FO include, but are not limited to, the following", please add the “for major asset acquisition or major asset sale”.

3) The term 26 is about the outside experts. We recommend disclosing/supplying outside experts reports are not mandatory.

Note: According to China's situation, the use of external expert opinion has two categories: expert hired by commissioning party on specific issues or report, or, a fairness opinion report provider need outside experts’ help. In the former, fairness opinion report provider assumes responsibility on citing the report. The fairness opinion provider must confirm the report provider’s legal qualifications, the premise and hypothesis under the referenced condition. In the latter, the fairness
opinion report provider may bear full responsibility of the outside expert.

It is not suitable to our domestic practice if the outside experts do not have to report to the fairness opinion service provider.