



Asia Leads The Pack

Good or bad you cannot deny it - the world's economy is recovering with Asia leading the pack and countries like China and Singapore surging at a fast forward Q1 growth of 11.9% and 15.5% respectively. These 2 countries are now considered by many economists as the economic barometers/indicators of what to expect from the region. China still a diversified manufacturing based and Singapore with more of financial/services and lately towards a tourism hub.

Just look at some staring GDP figures in the Region:

Countries	Q1 (Actual)	2010 (Forecast)
Singapore	+15.5%	+7.0% to 9.0%
Malaysia	+10.1%	+4.5% to 5.5%
Indonesia	+5.7%	+5.5% to 6.0%
Philippines	-3.0%	+2.6% to 3.6%
China	+11.9%	+9.6% to 10.5%
Hong Kong	+2.5%	+3.5% to 4.5%
India	+7.2%	+7.0% to 7.5%



For the European countries, the economic forecast lies between 0.5-2.3 percent and USA between 1.6-1.8 percent. The figures are a far cry from Asia.

Do not start to pop up champagne to celebrate Asia's growth - history appears to repeat itself just like the 1997 Asian Crisis - everything crumble during the crisis but within 24 months, Asian economies powered on month after month giving rise to asset inflation and bubble, increase in rental prices and labour costs, thus cutting the bottom line of corporations and individuals. The latter is feeling the pinch from high cost of living.

We are beginning to see a repeat of the history with inflation creeping up, investments in assets notably properties notching up setting new records in terms of volume and prices.

Another alarm looming that may fuel more danger ahead is oil prices which have crept up to USD 85/87 per barrel and may test the USD 100 before the end of the year! This scenario is not just too coincidental, it is on track and the real danger is to have a major event to light the fire and bring everything down:

- A crash in the property market in China/HK/Singapore
- A huge natural disaster
- A terrorist attack in the USA which is always looming in the background.

Despite all the caution above it is undeniable that the world's economic power is gradually shifting to Asia. For the first time we have the world's financial and economic crisis in modern times and the ability and the pace of recovery by each country showed the resilience and fundamentals of each country to springboard to economic recovery.

The statistics above re-confirmed my view that it would not take 30 or 50 years but 20 years for China to be the world's largest economy and set the pace for Asia to be the economic powerhouse.



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Asia's Property Bubble - A Time Bomb

Dark clouds are hanging over a property asset bubble in China and an imminent property crash in China. Investments in properties went up by about 27 percent and prices up by 11.7 percent just in the first quarter of 2010.

On April 15, China announced another drastic move following the release of the above statistics. Now buyers of second property will have to put up 50 percent in cash and will face higher mortgage interest rates.

A big question and risk is the fear of a property crash in China could trigger a crash in the equity market not only in China but in the world's equity market and could be just the spark to ignite a world's recession. No one could imagine Lehman Brothers, Merrill Lynch and AIG not only brought down the banking industry in the USA in 2008 but a financial and economy crisis worldwide!

The property sector contributes 9.2 percent of China's GDP.

A crash in the property sector will start a domino effect on the chain of suppliers to the property developers ranging from steel, copper, cement, household electrical products and the list goes on.... and some of these suppliers are not domestic suppliers but also foreign suppliers notably commodities where China is the biggest consumer.

Transformation Of The Singapore Exchange

The Singapore Exchange, SGX is transforming itself into a global gateway for trading Asian equities, commodities and financial derivatives on a variety of platforms.

In January, SGX have a new CEO Mr. Magnus Bocker who prior to resuming the post, was the former president of Nasdaq OMX.

The strategy is link with exchanges and clearing houses in Europe, North America, North Asia in particular India and South East Asia and to increase the range of commodities products traded on the exchange and over-the-counter.

Just last year alone, more than 98,000 OTC commodities contracts were cleared by SGX. Compared to a few years ago, say year 2006, only 1,000 such contracts were cleared. The sheer increases in just a few years, demonstrates the increase demand in Asia for commodities products and alternative trading platforms and systems for equities and commodities.



Job losses will follow and developers will collapse. Banks' bottom line will be affected drastically not only with loans given to developers but also to home buyers be it genuine buyers or speculators. Just look at the following bank's exposure:

Total mortgage loans: 9.59 trillion Yuan.
Total loans to developers: 16.89 trillion Yuan

The above accounted for 9.2 percent of the net assets of China's banks

The risk is very real and not a myth and the clock is ticking on this time bomb! Will China's property bubble burst and if it does, will it be another Lehman-Merrill Lynch-AIG saga?

This year trading in gold and coffee is expected to be added on the current trade in rubber and fuel oil.

Another bold move taken by SGX in the third quarter of last year was the launch of 'Chi East' a dark pool set up with Chi-X Global.

Dark pool is an alternative trading system which allows trading of large block of shares where the prices are only made public only after the trades are completed.



Hayes Knight Leads The Way In Business Valuations

As further evidence of the quality of MI firms throughout the region Hayes Knight partner Greg Hayes has recently had his book – A Practical Guide to Business Valuations for SMEs released. Greg heads up the Tax and Corporate Finance team at Hayes Knight's Sydney office. Published by global publishing company CCH, the book is an authoritative and practical guide to business valuations. As the pre-eminent publisher of accounting, legal, taxation and business publications in Australia this invitation by CCH to author this book is recognition of Greg's expertise in this area. CCH approached Greg because of his experience and reputation for valuation work in Australia. Having valued hundreds of different businesses Greg is widely recognised as an expert in the business valuation area. These skills have also been applied to the training of over 700 accountants in Australia on valuation practice, through the Hayes Knight training division.

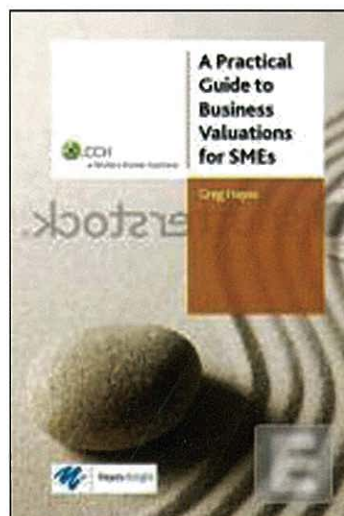
A key differentiator of the book is its blend of theory and practice. Whilst a number of theory based references exist there was a clear absence in the market for a book which applied the theory to practical business based scenarios. Typical of many developed countries throughout the world Australia has a large privately owned business sector. This sector is being impacted by both succession issues and merger and acquisition activity. This together with other regulatory requirements is increasing the need for professional business valuations. The majority of this work is completed in Australia by professional accounting firms.

A Practical Guide to Business Valuations for SMEs provides a comprehensive review of the valuation of an SME business. It is written with a practical focus by an accountant who has spent much of the last decade advising on and completing valuations for SMEs. The book considers the key issues in SME valuations from a practitioner's perspective. It brings valuation theory into practice and walks the reader through a step by step process in completing an SME valuation. Designed for anyone who provides SME valuation services or who has an interest in this area, the book identifies the importance of the purpose of the valuation and the methodologies that should be considered in the valuation process. The practical application of these methodologies is considered in detail and complemented by detailed valuation work programs and sample valuation reports. The book also considers tax aspects of valuations and the application of Professional Standards to valuation work including a new valuation standard in Australia APES 225.

Through the book Greg seeks to dispel some of the myths surrounding valuations and gives clarity to how valuation outcomes should be reached. A large number of examples and case studies bring the book to life allowing the reader to more easily understand the valuation approaches being suggested. These examples have been drawn from real life experience bring authenticity and authority to the book. For practitioners it is a reference guide providing a definitive on how to value an SME. Written in plain English it is easy to read and understand. Key sections of the book include:

- The purpose and scope of a valuation
- How to determine an appropriate methodology
- The most common valuation methodologies used for SMEs
- The information necessary to complete a valuation report
- The valuation process
- Special valuation assignments
- Report formats and work programs

Since the release of the book the demand for valuation work by Hayes Knight has been on the increase. The Hayes Knight and MI logo now sits on the bookshelves of a large number of practitioners and interested business owners. Hayes Knight plan to further develop the book with an online version currently being considered.



*By Mr. Greg Hayes
Hayes Knight Group
Australia*

Dubai Member Firm Awarded The 2010 Bharat Gaurav Award

India International Friendship Society (IIFS), New Delhi, has awarded the globally reputed “Bharat Gaurav Awards” (Pride of India) for the year 2010. Mr. Raju Menon, a well known NRI business man and founder of Morison Menon Chartered Accountants, Dubai UAE along with other recipients were honoured with Bharat Gaurav Award and a Certificate of Excellence on January 7th, 2010 at a glittering function in New Delhi. The award was presented by Ministers Hon. Dr. Farooq Abdullah and Hon. Mukul Wasnik.

Former CBI Director Sardar Joginder Singh is serving as the Chairman of the India International Friendship Society (IIFS), while Chief Minister of Himachal Pradesh Prem Kumar Dhumal, former Governor Madanlal Khurana, former Election Commissioner GVG Krishnamurthy and Justice Hanumanthappa serving as Board of Directors of the same.

India international Friendship Society (IIFS) is a fifteen-year old non-profit organization established with an aim to forge greater unity and integrity among the people of Indian origin living all over the globe. The society also aims to enhance India's stronger relationship and forge greater friendship and cooperation with all countries irrespective of their size or status. IIFS desires that all human beings should live together in peace, love and harmony.



Saudi Economy Diversification

In order to diversify the Saudi Arabia economy, the government recently announced new economic policies to encourage the private sector.

The first policy deals with decision to manufacture the equipments and spare parts needed for the oil and gas sector. Private companies will be encouraged to locally manufacture the oil and gas equipments. The government will provide land in the industrial area at nominal rent plus provide loans at low 2% interest payable in 25 years for Saudi companies interested to setup factories for this purpose. This policy applies also to Saudi's foreign joint venture companies.

The second policy deals with the local manufacture of military spare parts. The Saudi government will provide land and loans at the same 2% interest at 25 years period to private companies to encourage them to locally manufacture the military equipments and spare parts and supply the same to the Saudi military. In addition the tax imposed on investors is calculated on a flat rate basis which is 20% of the net income at the end of the fiscal year to attract many investors.

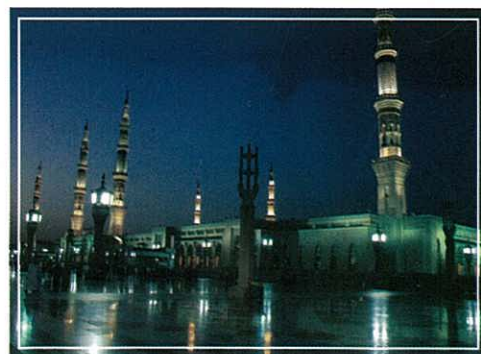
On a personal note, our firm Dr. Mohammed Saad Al - Ghowainim, Certified Public Accountants (MAGCPA) started its first cross border co-operation with Morison Menon of Dubai, UAE to audit the local Saudi branch of a US multinational client.



Congratulations to Mr. Raju Menon!



*By Dr. Mohammed Saad
Al-Ghowainim
MAGCPA, Saudi Arabia*



亚洲领先全球

是好是坏，您不能否认这一点 - 世界经济正在复苏，亚洲领先全球，如中国和新加坡在第一季度的快速增长11.9%和15.5%。这2个国家目前被视为许多经济学家用来对区域经济展望和经济所期待的指标。中国仍然是一个多元化的制造业中心而新加坡则是一个金融服务和旅游中心。

对于欧洲国家的经济增长预测将介于0.5% - 2.3%之间，美国介于1.6% - 1.8%。这些数字比亚洲相距甚远。

还没开香槟庆祝亚洲经济增长的时候，历史似乎将重演1997年亚洲金融危机。但在24个月内亚洲经济体开始后一个月导致资产通货膨胀和泡沫，租金价格提高及削减企业和个人的劳力成本，后者感觉到生活成本提高了。

我们又看到亚洲的通货膨胀提高了，特别是房地产投资已创下了新的数量和价格的新记录。

另一个迫在眉睫的危险迹象，可能是未来的石油价格。石油价格已攀升至每桶85/87美元，并可能在今年年底之前尝试100美元！这种情况并不是太巧合而真正的危险是一个重大的事件发生，如：

- 中国/香港/新加坡的房地产市场中的崩溃
- 一个巨大的自然灾害
- 恐怖份子袭击美国，始终潜在着

尽管上述的所有警告，毫无疑问的是世界经济实力正在逐步转移到亚洲。这次金融危机我们看到了每个国家对近代世界金融和经济危机中复苏的步伐，这显示每个国家对经济复苏的基础知识。

上述统计数字只是确认作者的看法，认为中国不需要30年或50年，而是20年后将成为世界最大的经济体，并成为亚洲经济强国。



亚洲楼市泡沫 - 定时炸弹

乌云笼罩在中国房地产泡沫，也是在中国即将崩溃的房地产。仅仅在2010年第一季度，房地产投资增长了27%和价格上涨了11.7%。

4月15日，中国宣布有关以上统计数字后发布另一个大动作。现在购买第二个房地产的买家必须投入50%的现金及面临更高的抵押贷款利率。

一个重要的问题和风险是中国房地产的崩溃可能引发股票市场的崩溃，不仅在中国而且在世界各国的股票市场也受到牵累，可能又会再点燃世界经济衰退。没有人能想象到2008年的雷曼兄弟公司，美林公司和保险公司AIG不仅击垮美国的银行业，而且引发全球金融和经济的危机！

房地产领域贡献了中国国内生产总值的9.2%。

房地产的崩溃，将开始对供应商和发展商造成骨牌效应，从钢铁、铜、水泥、家用电气产品等等。这些供应商不仅是国内的供应商，有些是外国供应商特别是商品，因为中国是最大的商品消费国。

裁员将会跟进，发展商将倒闭。银行的底线将会受到影响，不仅是给发展商的贷款和真正的买家或炒家。看看以下银行的风险：

贷款总额： 9.59兆人民币。

发展商贷款总额： 16.89兆人民币。

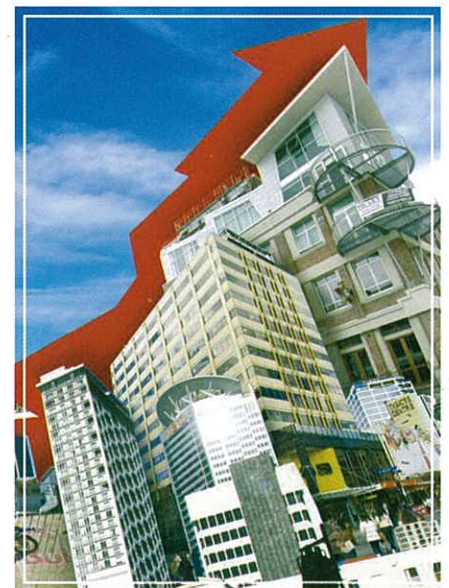
以上的贷款占中国银行资产净值的9.2%。

风险是非常现实的，而不是一个神话，时钟滴答作响的定时炸弹！中国房地产泡沫的爆破，它将会是否续雷曼兄弟公司、美林公司和保险公司AIG的另一个传奇？



区域国家的国内生产总值表现：

国家	第一季度	2010 预测
新加坡	+13.0%	+7.0% - 9.0%
马来西亚	+10.1%	+4.5% - 5.5%
印度尼西亚	+5.7%	+5.5% - 6.0%
菲律宾	-3.0%	+2.6% - 3.6%
中国	+11.9%	+9.6% - 10.5%
香港	+2.5%	+3.5% - 4.5%
印度	+7.2%	+7.0% - 7.5%



Hayes Knight National Conference

The Hayes Knight Group recently held its 2010 Annual Conference in Sunshine Coast. The Conference was well attended with close to 85 delegates and companions.



MIAP DIARY

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For further information, please contact:-

Mr. Paul Wan,
Morison International Asia Pacific Limited,
C/o 10 Anson Road
#35-07/08 International Plaza
Singapore 079903
Tel : (65) 6220 3280
Fax : (65) 6224 5473
E-mail : secretariat@miap.com
Website : www.miap.asia

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