

January 2008

Home



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Professional, Confidential, Trustworthy and Friendly

GCSL - We are here to CONSULT and Serve You!



### JACK'S CORNER

Having seen ALL the movies available on Cathay Pacific in the month of December, I decided to be more productive and begin writing my first thoughts for 2008. Unfortunately, I finished the year with, yet again, another horrible experience regarding the conduct of a corporate service provider. GCSL was notified by a bank that, in accordance with GCSL's instructions, an account for a client company was closed and the monies transferred to an unrelated account. **The problem - GCSL did NOT give any such instruction.** We immediately began a process of making inquiries which led to the startling revelation that a director of the previous service provider (the client company was transferred to GCSL more than one year earlier) had signed the relevant instructions as an "authorized signatory". Why? Who knows!? More to the point...who cares!? The senior, middle and junior members of the service provider failed to follow fairly simple, yet fundamental, steps when instructing a bank to close an account or transfer monies. For example, one must always start by checking to see if the client company is administered by the service provider. You know, sort of like making sure the computer is plugged in before firing your IT staff for another bad computer day. Assuming the client company is still administered by the service provider, it would be useful to determine whether or not the person signing the instruction is, in fact, an authorized signatory. I hope never to see such a flagrant failure of the very basic rules of handling client matters. Outrageous "transfer" fees (justification used by one service provider is "Due diligence Client Review on transfer to...", which begs the question as to whether or not the service provider ever conducted any due diligence from the onset as required!), delays in acting on clients' instructions, wasting away clients' assets on unjustified expenses are all bad. Signing a document as an "authorized signatory" of a bank account where (a) the person is not an "authorized signatory" and (b) the company is not administered by the service provider - well, lots of things other than just plain stupid can be attributed to that sort of conduct ☹

Onwards and upwards...



### GCSL NEWS

#### CHRISTMAS LUNCH...THE ITALIAN JOB

This year saw GCSL Hong Kong visiting Harlan's Private Dining Room in Lan Kwai Fong for some good ole Italian cuisine prepared by the legendary Chef Alberto. Keeping in GCSL Hong Kong style, Jack chose the wine...and forgot to eat most of the food!!! Check out Harlans at [www.harlang.com](http://www.harlang.com).



#### SHEPPARD BROTHERS KNOW A GOOD DROP!

Jonathan and Michael had a few people over for some Christmas cheer, South African style. If the photo doesn't say it all, then visit

<http://www.sheppardbrothers.com>.



### GCSL ANGUILLA'S NEW DIGS

GCSL Anguilla has moved into new premises. Please note our revised contact details below. Telephone, fax and email addresses remain the same. The photo below demonstrates Carlyle's happiness 😊



201 The Rogers Office Building  
Edwin Wallace Rey Drive  
George Hill  
Anguilla



## AOA 2008

The AOA has many plans for 2008 including the following:

- **AOA Dubai, 16th to 18th March 2008:** Ya gotta see Dubai to believe it!!! The Raffles Hotel will be the venue.
- **AOA Hong Kong, 21st to 23rd September 2008:** Coming back home will be oh so sweet as we hold our conference at The Mandarin Oriental Hotel.
- **Young AOA:** With the help of Itzik Amiel, we have launched the Young AOA. Members have received an announcement via email. Please contact Itzik at [itzik@asiaoffshore.org](mailto:itzik@asiaoffshore.org) for more information on how you can participate in this exciting new AOA committee.
- **AOA & China Street Smart:** Working with John Chan, the AOA Global Advisory Committee representative for Shanghai, the AOA and China Street Smart are holding a China visit that will offer something to even the most seasoned China traveler. John's email address is [johnchan@chinastreetsmart.com](mailto:johnchan@chinastreetsmart.com).
- **AOA & AICPA:** (<http://www.asiaoffshore.org/html/Announcements/AICPA%20offer%20for%20AOA.doc>): The AOA has arranged for special treatment for members to attend that AICPA conference in Washington DC from 10th to 11th January 2008. The American Institute of Certified Public Accountants is the national, professional organization for all Certified Public Accountants. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients.
- **AOA & Thomas Jefferson School of Law** (<http://llmprogram.tjsl.edu>): The AOA has arranged for a special member price of US\$2,500 per course, which is a US\$500 discount. **Thomas Jefferson School of Law** offers specialized graduate degrees and certifications through the Walter H. and Dorothy B. Diamond Graduate Law Program in International Tax and

Financial Services. Established in 1998, the program remains the first and only one to offer graduate law degrees and certifications through an entirely online course of study at an ABA accredited law school.

- **AOA & American Academy of Financial Management (<http://www.aafm.org/>):** The AOA has arranged for the preferential Membership in and access to Continuing Professional Development courses with **The American Academy of Financial Management™**, which is a worldwide financial professional organization with members in 150+ countries hosting and organizing certification training worldwide and offering our exclusive board certification designations to candidates who meet the high standards. AAFM is in alliance with the top 560 business schools in the world. Further details of the AOA's arrangement with the American Academy of Financial Management will be sent to members in January.



## ASSET PROTECTION UPDATE

### LITIGATION DEFENCE INSURANCE

The emergence in the '90s of litigation defence insurance ("LDI") has been enhanced in recent years due to the development and affordability of offshore captive insurance jurisdictions such as Anguilla. LDI can be defined as an insurance policy that covers costs for defending a lawsuit. LDI, when structured properly, can be an effective asset protection tool.

Although LDI can take many forms, several advantages include, but are not limited to, the following:

- Cover the legal costs/fees of defending claims without creating a bank account, securities portfolio or land portfolio to attract aggressive and greedy plaintiffs' lawyers. In fact, the reality that all the LDI could be used up on legal costs/fees is an incentive for settlement by the plaintiff.
- Creation of a dedicated reserve where monies are set aside to cover legal costs/fees regardless of whether or not the insurance company continues in business.
- Premium payments are for real value and often to an offshore service provider that will not, in accordance with the LDI, refund the money. This should result in an effective defence to a claim of a fraudulent transfer.
- Provision of coverage for counsel to assist the lawyer appointed by the primary liability insurer as well as monitoring that lawyer to achieve the best result for the insured.

LDI, in a similar fashion to asset protection trusts, is not and should not be designed to reduce the insured's taxes. Beware the LDI offering that focuses on or, for that matter even mentions, that the insured will achieve certain tax benefits.

Equally, a person considering purchasing LDI should engage the services of a USA lawyer specializing in offshore asset protection with a particular emphasis or significant exposure to insurance products.

*Contributed by Jack Flader, CEO & Group Managing Director, GCSL Hong Kong  
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## HONG KONG UPDATE

### TAX AUDITS

When I first came to Hong Kong, it was an easy place to operate in. Tax audits? Ha! Alas, that was then and this is now. Anti-avoidance is the buzzword insofar as tax audit investigation is concerned for the Hong Kong Inland Revenue Department (IRD). The IRD now has a formally structured tax audit and investigatory arm. It has 5 tax investigation sections, including an active prosecution division, 15 field audit sections, and 2 anti-avoidance sections. This is the result of Hong Kong's owning most of the foreign entities that are set up in neighboring China.

The following are likely to generate an audit in Hong Kong:

1. consistently filing late;
2. companies going public (initial public offerings have a funny way of changing things);
3. qualified audit reports (every company incorporated in Hong Kong must have an annual certified audit, and if there are irregularities, the IRD will look into it);
4. a substantial increase, from one year to the next, in subcontracting charges, with a concurrent decrease in salaries;
5. companies that are part of a group with overseas operations (it appears that the IRD is taking an aggressive anti-avoidance stance — taxpayers are asked about group pricing policies and must specifically identify how profits are shifted offshore); and
6. consolidated financial statements with both Chinese and offshore entities (this is a troublesome area because the additional requirement of breaking down all the related-party transactions within a group might be too difficult for Hong Kong companies).

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### NOT SO FUNNY PROPERTY PRICES

A local comedian and property developer are launching the sale of four luxury homes on The Peak at more than USD51 million per unit or approximately USD7,700 per square foot.

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### HKEX BIG PLANS FOR 2008

The Chief Executive of Hong Kong Exchanges and Clearing, the listed company that owns and operates the Hong Kong Stock Exchange, announced the following plans for 2008:

1. Launch of mini-H share index futures, which will reduce required deposits from HKD180,000 to HKD36,000.
2. Listing of commodities and carbon emission futures being studied.
3. Listing of warrants based on overseas stocks or commodities being studied.
4. Companies that post announcements between 6am and 9am and 12:30pm and 2pm (when trading is not in session) will be able to trade when the market opens. Currently, if a company fails to make an announcement before 11pm the previous day, then it is suspended from trading for the entire day.
5. Higher entry requirements to list on the Growth Enterprise Market.
6. Listing of Hong Kong depositary receipts, which will improve access to cross-border listings of overseas companies.
7. Upgrading trading capacity to 5 million trades per day in January 2008 and 7.5 million trades per day by the end of 2008.
8. Reviewing the HKD200 monthly fee charged investors for streaming stock quotes.
9. Seeking the government to reduce stamp duty on trades.
10. Stock codes will be five rather than four numbers.

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### HONG KONG TO ELECT DIRECTLY THE CHIEF EXECUTIVE BY 2017

The China Central Government announced that the Chief Executive, who runs the Hong Kong Government, will be directly elected in 2017. The position is currently elected by an 800 person body comprised of Hong Kong people appointed by the Central Government.

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## VIETNAM UPDATE

### FDI AND OFFICE SPACE KEEPS ON TICKING

With Foreign Direct Investment set to hit USD15 billion, Vietnam with 85 million inhabitants will see more money inflows in 2007 than India with 1.1 billion people. Office rentals for Grade A properties in Ho Chi Minh City now are in excess of USD45 per square meter with 100% occupancy.

### BABY BOOM

Tu Du Hospital in Ho Chi Minh City, considered to be one of the best in Vietnam, delivered 45,000 babies last year while women lined up six deep in each room to wait their turn. With 1.3 million births per annum and a shortage of good quality hospital rooms, Vietnam is seen as a no-brainer investment by Thomson Medical Center, a Singapore hospital operator that specializes in obstetric and pediatric care. Thomson is building a 260 bed, resort-style hospital for women and children just outside Ho Chi Minh City.

### IT AIN'T JUST PROPERTY

More than property is making the news in Vietnam nowadays:

1. The upcoming IPO of state-owned Vietcombank (Bank for Foreign Trade of Vietnam) will raise more than USD600 million.
2. Privatization of state-owned Vietnam Mobile Telecom Services will take place next year.
3. Following accession to the World Trade Organization this year, it is believed education will become a hot area in which foreigners will invest.

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## THAILAND UPDATE

### Further Relaxation of Measures to Manage Capital Flows

The Bank of Thailand (BOT) has introduced an unremunerated reserve requirement (URR) on short-term capital inflows since 18 December 2006 as a temporary measure to regulate short-term capital inflows, prevent speculation on the Thai baht, and avoid excessive volatility and appreciation of the Thai baht, which are not consistent with Thailand's underlying economic fundamentals.

The BOT has been mindful of adverse effects that this measure had on the financial transactions of domestic private sector and foreign investors. This has led to gradual relaxation of the measure in order to increase flexibility in conducting business, such as (1) providing a fully hedge option as an alternative to the reserve requirement, particularly for loans and for investment in fixed income securities and mutual fund units, and (2) waiving the reserve requirement on investments in equity-like securities, namely, warrants and exchange traded fund (ETF) units. In addition, regulations on foreign currency deposit and transfer have been relaxed to increase the flexibility for Thai businesses in managing their foreign currencies and investment abroad, which should lead to more balanced capital flows in the longer term. At present, the external factors remain

highly volatile, particularly linked to the instability in the US subprime market and the tightening conditions in international credit and financial markets. These factors have led to increasing pressure on the exchange rates of major currencies and on international capital flows, with possible repercussions on the world economy and the Thai economy. The BOT therefore considers it necessary to keep the URR measure in place for the time being in order to maintain the stability of the Thai economy. However, to lessen the burden on the business sector, BOT deems it appropriate to further relax the URR measure, as well as regulations on capital outflows, as follows:

**1. Relaxation of the URR measure on foreign currency borrowings by Thai corporations and on non-residents' investment in property funds, to reduce the cost of funds for Thai corporations and support domestic investment, as follows:**

- 1.1** Foreign currency borrowings, in an amount not exceeding USD 1 million, as specified on the relevant agreement or contract, and having a maturity of at least 1 year, by Thai juristic persons are exempted from both the URR and the fully hedged requirement.
- 1.2** Thai juristic persons wishing to borrow in foreign currency and having future foreign currency proceeds from international trade or services covering the repayment of that borrowing (i.e. having a natural hedge) can submit the request to the BOT for exemption of the URR and the fully hedged requirement.
- 1.3** Investments in newly issued units of existing property funds by unitholders, whose names appear on the unit holder registration as of the book closing date, are exempted from both the URR and fully hedged requirement.

**2. Additional relaxation of regulations on foreign currency deposit and transfer to allow Thai businesses greater flexibility and efficiency in managing their foreign currencies as follows:**

**2.1** Raising the maximum limit of Thai residents' foreign currency deposits, and allowing Thai residents to deposit foreign currencies originated abroad without proof of evidence of future foreign exchange obligations. Details of changes in the regulations are as follows:

- a.** Foreign currency account with funds originating from abroad: No limit placed on the outstanding balance, and no requirement to prove future foreign exchange obligations;
- b.** Foreign currency account with funds originating from domestic sources:- For deposits without future foreign exchange obligations, the total outstanding balances are limited to USD 100,000 for an individual or USD300,000 for a juristic person; For deposits with future foreign exchange obligations, the total outstanding balances are limited to USD 1 million for an individual and USD 100 million for a juristic person. Should Thai residents wish to deposit in excess of the specified balance, only the amount not exceeding the foreign exchange obligations within the next 12 months can be deposited.
- 2.2** Raising the limit and expand the scope for investment and lending abroad for Thai companies to include subsidiaries and affiliated companies abroad with no direct shareholding but under the same parent company, as follows:
  - a.** A parent company in Thailand can transfer funds for the purpose of direct investment in, or lending to, subsidiary and affiliated companies abroad in an aggregate amount not exceeding USD 100 million per year;
  - b.** A subsidiary company in Thailand can transfer funds for the purpose of direct investment in, or lending to, parent company abroad, subsidiary and affiliated companies of the parent company abroad in an aggregate amount not exceeding USD 100 million per year
  - c.** Companies registered with the Stock Exchange of Thailand can transfer funds for investments according to (a) and (b) with no limit and can lend according to (a) and (b) in an amount, in each case, up to USD 100 million per year.

**2.3** Increase the limit for purchase of properties abroad from USD 1 million to USD 5 million. The relaxation of the URR measure according to 1. shall take effect from 18 December 2007. The relaxation of regulations on the deposit and transfer of foreign currency according to 2. shall take effect following the issuance of the relevant Ministerial Regulations. The BOT will continue to assess the Thai economic conditions, domestic and external financial market conditions, as well as international capital flows. The URR measure will be lifted when deemed appropriate, taking into account several factors such as improvement in domestic demand, volatility of major currencies, global financial market conditions as well as the balance in foreign exchange flows from trade and capital transactions.

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## CENTER FOR FREEDOM & PROSPERITY UPDATE

Low tax countries are under assault. Ever since Ronald Reagan and Margaret Thatcher sparked a global tax revolution in the 1980's, policymakers hostile to low-taxes, free markets and tax competition have tried to roll back that revolution. Multinational bureaucracies like the OECD, the UN, and the EU perennially lobby for tax harmonization and double-taxation schemes designed to preclude investors and entrepreneurs from operating in low-tax jurisdictions.

But perhaps the favorite tactic of these bureaucrats is to launch an all out, no-hold-barred assault on low tax jurisdictions with strict privacy laws, pejoratively known as "tax havens." This strategy makes a lot of sense to statist, since so-called tax havens have been integral to the global tax rebellion that has led to increased prosperity, less poverty and greater freedom. Anti-free market policymakers grow apoplectic at the very idea that a country would implement these low-tax, pro-growth policies.

One of the tactics used by anti-free market forces is to issue "reputable" studies from supposedly non-ideological organizations like Oxfam and the IMF. These reports routinely blame tax havens for everything from facilitating tax evasion and money laundering to precipitating financial instability. These attacks have been grossly unfair, largely motivated by an anti-free market bias. They conveniently ignore the fact that tax havens promote economic growth, sound fiscal policy, and individual liberty.

In the latest assault on tax havens, the far-left Tax Justice Network (TJN) and the socialist government of Norway have convinced the World Bank to do a study. Part of the World Bank effort, dealing with ways to stop politicians from looting their nations, is well intentioned, but a study on the impact of offshore financial centers should raise a red flag. In the past, similar studies have been used to attack tax competition, financial privacy, free markets, and fiscal sovereignty. There is no reason to believe that this study will be any different, unless of course, the World Bank considers solid academic evidence showing how tax havens have contributed to global prosperity.

The Tax Justice Network and Norway will certainly ignore any such evidence, and instead use the study as an opportunity to persecute low-tax, pro-growth policies. After all, their unwavering commitment to thwarting economic liberty and vilifying low-tax jurisdictions is well documented.

The World Bank, on the other hand, has a responsibility to promote policies that encourage wealth building. It should not subordinate that mission to the TJN's anti-free market agenda that inhibits economic growth. Indeed, the World Bank should embrace tax havens and tax competition for their ability to stimulate pro-growth policies that encourage investment and innovation. Indeed, they should take their time and gather and review the many studies published in support of low tax countries and financial privacy.

The Center for Freedom and Prosperity has contacted World Bank President Robert Zoellick and relayed our concerns. We have requested a meeting and in the near future the Coalition for Tax Competition will issue a letter signed by its 30-plus members in opposition to the potentially rigged study. More information on the World Bank study and the fight to protect tax competition, financial privacy and fiscal sovereignty can be found on CF&P's web page at [www.freedomandprosperity.org](http://www.freedomandprosperity.org).

*Contributed by Andy Quinlan, President and co-founder of the Center for Freedom and Prosperity and the CF&P Foundation ([www.freedomandprosperity.org](http://www.freedomandprosperity.org)). Andy's email address is [quinlan@freedomandprosperity.org](mailto:quinlan@freedomandprosperity.org).*



## CHINA UPDATE

### WAHAHA VS DANONE: DAVID POPS GOLIATH YET AGAIN

The Hangzhou Arbitration Commission instructed Danone to cancel an agreement to transfer the Wahaha trademark, which effectively returned ownership to the China joint venture partner. Danone setup the flawed joint venture in 1996 taking a 51% stake and Mr Zong Qinghou holding 49%. Mr Zong's most recent victory is likely to be appealed by Danone to Hangzhou's intermediate court within the first half of 2008. Safe money is that Mr. Zong will win again. It would appear that Danone agrees to a certain extent as they have offered Mr. Zong to discontinue all litigation if he enters into genuine efforts to settle the dispute.

### BANK RESERVE RATIO TO BE RAISED TO 14.5%

The People's Bank of China has raised the bank reserve requirement ratio to 14.5% effective from December 25, 2007. This is the 10th bank reserve ratio increase by the central bank within this year and the ratio has reached a 20 year high. The new move aims at strengthening the liquidity management in the banking system and checking excessive credit growth. The strategy reflects China's tight monetary policy adopted early this month by the Chinese government.

### WAL-MART ENTERS CHINA'S SMALLER CITIES

The US-based retail giant, Wal-Mart, will open its 100th store in Loudi, Hunan Province, in central China. Wal-Mart, the No. 1 retailer in the world, set up its 1st outlet in Shenzhen, Guangdong Province back in 1996. Since then, the retailer has made aggressive and organic growth in China. The location of the Loudi merits some attention. Previously, Wal-Mart mainly focused its expansion in China's large cities. But as the competition in the retail industry in China's large cities becomes more fierce, Wal-Mart has chosen to expand in Tier-2 and Tier-3 cities. Among the 23 stores set up this year, most are located in the smaller cities.

### DRUG RECALL RULES RELEASED

China announced the 1st nationwide drug recall system on Dec.10, 2007. The system classes Chinese-made medicine into 3 categories according to potential hazards. The rule also applies to imported drugs of foreign pharmaceutical companies. Some highlights of the rule are listed as below:

1. Level A Recall applies to drugs that may cause serious damage to human health; the drugs that fall into this category should be recalled within 24 hours;
2. Level B Recall applies to drugs that may cause temporary or adverse damage to human health; the drugs that fall into this category should be recalled within 48 hours;
3. Level C Recall applies to drugs that may not cause any damage to human health, but recalled due to other factors; the drugs that fall into this category should be recalled within 72 hours;
4. The pharmaceutical companies are encouraged to conduct voluntary recall; the penalties or liabilities for such companies will be eased or excused;
5. However, the pharmaceutical companies that are required to perform compulsory recalls will pay a fine of 3 times of the value of the recalled drugs; in case of causing severe damages, the drug production license will be revoked.

### CHINA ABOLISHES GRAIN EXPORT TAX REBATE

The Chinese government cut the grain export tax rebate, currently standing at 13%, effective as of December 20, 2007. The affected items include wheat, rice, corn, soybeans and their flour products. The policy aims at ensuring domestic food supply and curbing rising prices. In November this year, the inflation key indicator CPI reached 6.9%, the highest in 11 years. The main reason behind the record-high CPI is the surging food prices, which make up a third of the consumer basket, rose by 18.2%.

### CHINA INTRODUCES FIRST HOME-GROWN REGIONAL JET

ARJ21, the first fully China-grown regional jet, made its debut at Shanghai Aircraft Manufacturing Factory on December 21, 2007. The project was approved by State Council in 2002 and cost a total of USD1.1 billion. The 70-90 seat jet is scheduled to make its maiden flight in March next year and be delivered to its customers later 2009. So far, the jet has secured 171 orders at home and abroad, with 100 recently inked with Shenzhen Airlines.

### 2008 CHINA REAL ESTATE MARKET

The hottest topic at the end of year in China is the fate of the China Real Estate Market in 2008. Most people believe it will be a stable year as the Chinese Government will not allow any economic breakdown before the Beijing Olympics. On the other hand, the market has responded to the various policies issued by Chinese Central Government. Some significant indicators include the 18% drop in the stock price of China Vanke Co., Ltd. (Vanke, Shenzhen A000002), the no. 1 real estate company in China; the number of transactions has decreased by at least 80% in the last quarter of 2007 in Shenzhen and Guangzhou; several first and second tier of real estate brokers closed. Factors impacting the real estate market include:

#### Factor 1: Restriction on Foreign investor in China Real Estate Market

July 2006, a circular was issued to limit and restrict foreigners to enter the real estate market. Foreigners who legally live in China for at least one

year can only buy one property for self use. Also, China requires high registered capital for Real Estate Development Wholly Foreign Owned Enterprises. In October 2007, the Real Estate industry became "restricted / limited" categories.

#### **Factor 2: Tax**

5.55% business Tax on total sales price if holding period of the property is less than 5 years and if it is over 5 years then the business tax of 5.55% only applies on the profit. 20% income tax on profit if the holding period of the property is less than 5 years and if the holding period is over 5 year and only one property, then this income tax can be waived.

#### **Factor 3: Interest Rate and Reserve Rate**

During the months of March, May, July, August, September and December, 2007, the People's Bank of China increased interest rates to 5.85% for fixed deposit of 5 years and up and 7.83% for commercial loans of 5 years and up. For a second property, the borrowing interest rate can go as high as 8.613%. For a mortgage loan for a person's first property of RMB1 million for 20 years, the monthly payment will increase from RMB 7,657.24 to 8,258.92. As mentioned above, the reserve rate increased to 14.5%, the highest in the history. This will certainly impact the quota for mortgage loan in 2008.

With the factor 1, the foreign investment into real estate market has been decreased. Even though foreigners are now using Chinese Entities, such as Representative Offices or Wholly Foreign Owned Enterprises to hold the property.

With the combination factors of number 2 and 3, to invest in a property in 2008 and hold for a year, two years, and three years, the value would have to increase at least 21.1678%, 26.3356% and 31.5034%, respectively, to break even. Furthermore, due to increased reserve ratio and the central government's attitude on financial and real estate markets for the year 2008, the Chinese banks' might not have enough money or quotation for commercial and mortgage loans.

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## **SINGAPORE UPDATE**

### **The Switzerland of the Far East - Revisited**

About a year ago, I had tried to extol the virtues of Singapore as the new financial centre in its part of the world. Since then, the results have been very telling.

As a result of some of the changes in the tax and other government policies worldwide, the rich have been moving their wealth to new and friendlier homes. Since then, Singapore's registers have been going ka-ching. In fact, more rich people who live outside Singapore have decided to let their money reside in the Republic.

Singapore, through good government, tight confidentiality laws and fortuitous winds, continues to enjoy strong fundamentals and with its rapidly growing reputation as a private banking hub, has bolstered its position as the Switzerland of the Far East.

As reported by the Monetary Authority of Singapore (MAS), deposits by non-residents grew 46% to almost S\$30 billion at end-October from a year ago. This is almost triple the S\$10.6 billion parked here in 2002. Most of the deposits, S\$20.4 billion to be more precise, is placed in longer-term fixed deposits. The rest is in short-term demand deposits and savings and other deposits.

Domestic resident deposits also increased to S\$232 billion in October.

As a sure sign of the times, Standard Chartered Private Bank this year became the first international bank to make Singapore its global private banking headquarters.

Lombard Odier Darier Hentsch, a Geneva-based institution with a history going back more than 200 years, will open a Singapore office next month.

The steeper appreciation of the Singapore dollar has led many private bankers to recommend that clients hold more Sing dollars. The forecast is for the Sing dollar to rise about 5% against the US unit by the end of 2008.

Although the US Federal Reserve cut interest rates this month, interest rates globally, including Singapore's, did not slide because of a continued liquidity squeeze in the credit markets.

Singapore's strong regulations, good infrastructure and government support for the wealth management business are magnets. These factors, coupled with an attractive tax environment and a stable currency, have made it a top place to do business. Interest on non-resident funds deposited herein is tax-exempt.

Some non-resident deposits could be deposited here before the money is invested in property (a good year of rising prices), though some is also used by those betting on the appreciation of the Chinese renminbi. The Singapore unit is the best proxy for investors betting on renminbi appreciation due to no exchange restrictions and significant liquidity.

Singapore's cost competitiveness as a place of business is also confirmed by a World Bank research study "Doing Business - Benchmarking Business Regulations", which provides objective measures of business regulations and their enforcement comparable across more than 130 economies. It is reported that the regulatory costs of business in almost all indicators, Singapore measures well against regional averages and even OECD averages:

The island republic's attempts so far to stay ahead of the competition has so far been on track and I hope to be able to report next year of better results.

Happy New Year to ALL!

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## OFFSHORE UPDATE

### ANGUILLA: THE INTERNATIONAL BUSINESS COMPANIES ACT 2000

The International Business Companies Act 2000 allows for the creation or incorporation of an international business company (IBC).

The standard corporate documents include the certificate of incorporation, articles of incorporation, bye-laws and appointment of first director. If requested, the share certificate, organizational minutes and registers of shareholders/directors/officers/secretaries can be included.

1. An IBC, which does no business in Anguilla, is exempt from all forms of taxation inclusive of profits, withholding, dividends, distributions, royalties etc.
2. An IBC shall not be considered to be doing business in Anguilla solely because it is engaged in maintaining a bank account, holding meetings of directors or shareholders in Anguilla, maintaining corporate or financial records in Anguilla, maintaining an administrative or managerial office in Anguilla with respect to assets or activities outside Anguilla or investing in stocks or entities of Anguilla companies or being a partner in an Anguilla partnership or a beneficiary of an Anguilla trust or estate.
3. The information on shareholders, directors, officers and other persons involved with the company is not publicly disclosed therefore allowing for privacy and confidentiality.
4. Corporate or natural persons can be used for shareholders and directors. The use of a power of attorney in favor of the client to allow him or her to operate specific aspects of the company enables the creation of a situation where the client stills gets some measure of control without disclosing his/her identity.
5. An IBC can have any number of shares it wishes to have and in several classes with whatever rights, privileges and restrictions etc that the incorporator/beneficial owners see fit without any additional government fees.
6. Restrictions of the activities that the company can engage in can be included in the articles of incorporation and/or the byelaws.
7. IBC names can be in Chinese, English, Cyrillic and several other languages.
8. Shares in an IBC can be issued in fractions with or without fractional limitations on the rights, privileges, and other attributes of a whole share of the same class or series of shares.
9. An IBC may issue bearer shares but these must be kept at the Registered Office or with an approved custodian.
10. Meetings of the shareholders of an IBC may be held in the manner and the places within or outside Anguilla as determined by the directors.
11. An IBC may create a charge over its property thus allowing for the company to enter in mortgage and other transactions.
12. An IBC can continue or convert into a domestic local company which also is exempt from corporation, withholding and other forms of taxation.
13. An IBC can be used as a listing vehicle on many of the world's stock exchanges as long as it complies with the rules of the listing exchange.
14. An IBC can be investigated by a Court appointed inspector at the instigation of either a shareholder or debenture holder.
15. An IBC may elect to register details of its directors and shareholders.

Contributed by Carlyle Rogers, Managing Director, GCSL Anguilla  
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### BELIZE: DEDICATED AND RESPONSIBLE PEOPLE OF GCSL BELIZE

I am writing this on December 24, 2007. My wife has just made me do every conceivable thing to spruce up the house. As I sit back and think on the past year, I realize that what I have done is to try and provide for my family, much in the same way that GCSL has provided for our clients. We do it out of the respect and responsibility we have for our clients. We set up these trusts, because we truly believe in our services, the quality of it, we value the relationships we have, and we hold your comfort as important above all else. What we do is to ensure that your family and financial safety remains a priority, in organizing your trust arrangement. Of course, I can only focus on Belize, as that is my selling point, but I speak of GCSL in general, because this applies to the entire group of companies. We believe that your money is safe in our hands, safe from any potential creditors, safe from unwarranted inquiries about the status of your funds and whether or not they are accessible. People here in Belize focus on how good the legislation is in relation to the laws of other jurisdictions, and how well protected one's assets are from creditors of any kind. I pause here to acknowledge you all, who have been doing business with us for this past year. We are most grateful here at GCSL Belize, and as 2008 is upon us, we are certain that we will be blessed with greater prosperity. We here at GCSL Belize are a bunch of believers in our services, and we know that when you put your faith in us, we will do the very best for you. Thank you for your continued support, and may 2008 be a blessed year for you. Listen out for the new developments that 2008 will bring to us here in Belize, and to you. Maybe with the good things we are able to do for you, you might be able to retire in fine style and take up new fishing exploits like my little nephew who recently taught me how to do it. Happy New Year.



Contributed by Carlo Mason, Managing Director, GCSL Belize  
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### COOK ISLANDS: A PLACE WHERE TIME STANDS STILL

This holiday season presented an opportunity to go off the beaten track and visit the tranquil Island of Atiu, in the Southern Cook Islands. This is a place where time literally stands still. With no mobile phone network, very few vehicles and dial up internet, it certainly takes some adjusting. With a population of around 500 people, which number doubles during the holiday season, this Island is probably as far away as you can get from....anything.



The first known European to visit was Captain James Cook who landed in 1773, and who provided us with much information on the lifestyle and culture of the Island. John Williams, responsible for bringing Christianity to these Islands, soon followed. It was in fact my ancestor, Rongomatane as high chief of the Island, who gave John Williams directions to locate Rarotonga, the main Island of the Cook Islands.

My pilgrimage to Atiu with extended family was in recognition of my connection to this traditional chiefly title.

Apart from growing great coffee beans, this Island is known as home to a unique bird that dwells in caves and navigates its way in the dark by sonar much like bats. And then there's the local home brew....a brew that simply deserves tasting. There are several home brew "chapters", or "Tumunu" as they are called. The Tumunu have become institutions, and have survived attempts over the last 100 or so years to be rid of them. Today, they are an ingrained part of society to the extent that they are a tourist attraction. Each Tumunu has its own set of rules, but there are certain aspects

which are constant; there is one barman, who scoops the sweet tasting brew (made from pineapple or orange) with a small shot sized coconut shell, and serves one person at a time who all sit in a circle. After a few rounds, there is generally an opportunity for anyone within the circle to have a say about anything he chooses. For visitors, it is an opportunity to introduce themselves and make a small donation. One golden rule applies however, NO WOMEN are allowed, unless you are a visitor.

I love my wine, but I gotta say, there is certain nostalgia with the Tumunu which is unmatched even with the best wines in the world that cost the earth. On Atiu, the brew costs you what you think it is worth!!! People come from far and wide to simply experience the home brew of the Tumunu. For me, the Island of Atiu has an unmatched magic that is captivating (and intoxicating), and a perfect place to spend quality time with family so you can enjoy the most simple things in life.

And, as always, the starlet of the show was my little one...Hope you all have a healthy and fruitful New Year.

Contributed by Puai Wichman, Managing Director, GCSL Cook Islands  
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### SAMOA: THE LAST PARADISE TO WELCOME THE NEW YEAR

HAPPY NEW YEAR READERS!!!

Every country in the world has now welcomed the New Year, with the biggest cities competing to put on the best show. In the South Pacific this time of the year has special significance. It is the traditional holiday season with much feasting.

Samoa was last-but-not-least to welcome the New Year. This is the time for families to gather around to share and appreciate each other. It is a time of thanksgiving for the bounty that has been provided upon the many followers of Christianity. In this deeply religious country, it is the most sacred of holidays after Easter.

May the year of the Earth Rat fill us all with happiness and joy...

Manuia le tausaga fou!

Contributed by Laura Fepuleai, Manager, GCSL Samoa  
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## TIDBITS

The things that make us smile, frown and generally make life interesting...

### OUR MONTHLY QUOTE THAT MADE US SMILE

"The human race has only one really effective weapon and that is laughter." - Samuel Langhorne Clemens

### THREE CHEERS FOR GRAND DAD HILTON!!!

We just read with a smile that Barron Hilton will be donating the bulk of his hotel fortune – US\$2.3 billion – to the Conrad N. Hilton Foundation. Good fella!!! Paris is such a stunning actress with obviously outstanding skills so she doesn't need the \$\$\$ J

### AND THESE PEOPLE GET PAID (A LOT) FOR LOSING ALL THAT MONEY...

We recently read of the latest approximate figures posted by the geniuses who engineered the sub-prime debacle:

UBS	USD13.7 billion
Citigroup	USD8 billion
Merrill Lynch	USD8 billion
Goldman Sachs	USD3.7 billion
HSBC	USD3.4 billion
Bear Stearns	USD1.2 billion

Of greater interest is the fact that large investment firms such as Temasek Holdings are investing billions into these firms. Hmmmm...we guess the best way to get more investment is to lose as much money as possible J

### BILLION \$ HARVARD GIVING BACK

We recently read about Harvard University's plan to cut the cost of tuition for students of middle class families. With tuition running at USD31,456 per annum and a USD35 billion endowment, we wanted to applaud the kindness of the Ivy League juggernaut. Move over Warren and Bill...Harvard is entering the giving game...which is a great thing!!!

### ANOTHER SCOTTISH REPUTATION LIVES ON

We smiled when reading about the statement made by a Scottish fella who was locked in the toilet of a local bowling club for four days - "The only thing I regret is not being trapped behind the bar." Yup, we know quite a few Scotts who like to bend an elbow...

### A NEW HOLIDAY GIFT?

We read with concern about the woman who was arrested and charged for battery after wiping her nose on the shirt of a policeman while being booked. We dig her creativity. However, we are concerned with the way our mind works because our first thought was "Hey, a new holiday gift – The Cop Snot Rag"...ouch!!!

### TRANSLATING POLITICIAN SPEAK

We read with little interest about the recently published 2008 Lexicon, which purports to translate politician speak into plain English. BS by any other name is still BS. Who really cares what politicians say? After all, they usually say what people want to hear and thereafter do what their biggest donors want. Cynical? Thanks 😊

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