



Presentation to Princeton ASA Chapter

China: Inbound and Outbound Transactions

December 7, 2015

MG Valuation

- MG Valuation is an independent valuation firm, serving clients in 10 countries in the Americas, Asia Pacific and Europe
- We assist public and private companies, accounting and consulting firms by providing real estate, machinery and business valuation capabilities, through valuers with Big 4 and/or global firm experience

MG Locations



Americas

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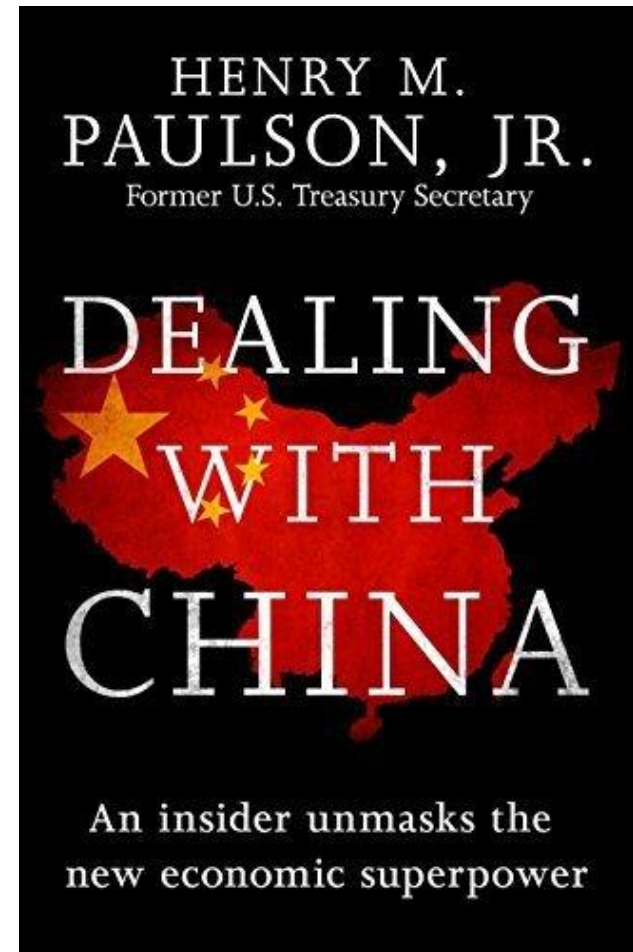
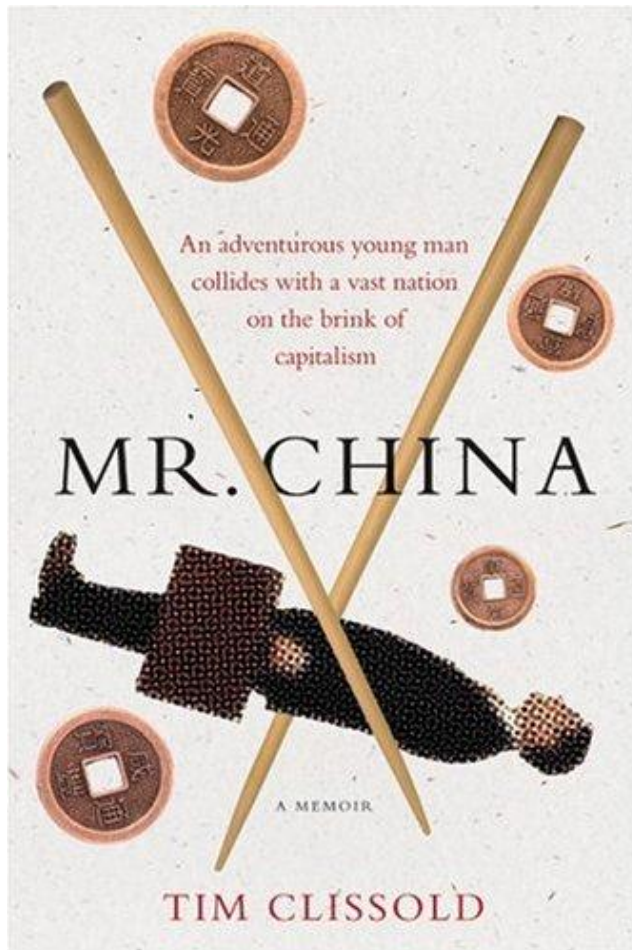
Asia/Pacific

Hong Kong	Taipei
Singapore	Tokyo
Sydney	

Agenda

- Introduction
 - China Issues & Perspectives
 - China Inbound Investment
 - China Outbound Investment
 - Additional Resources

Perspectives on China



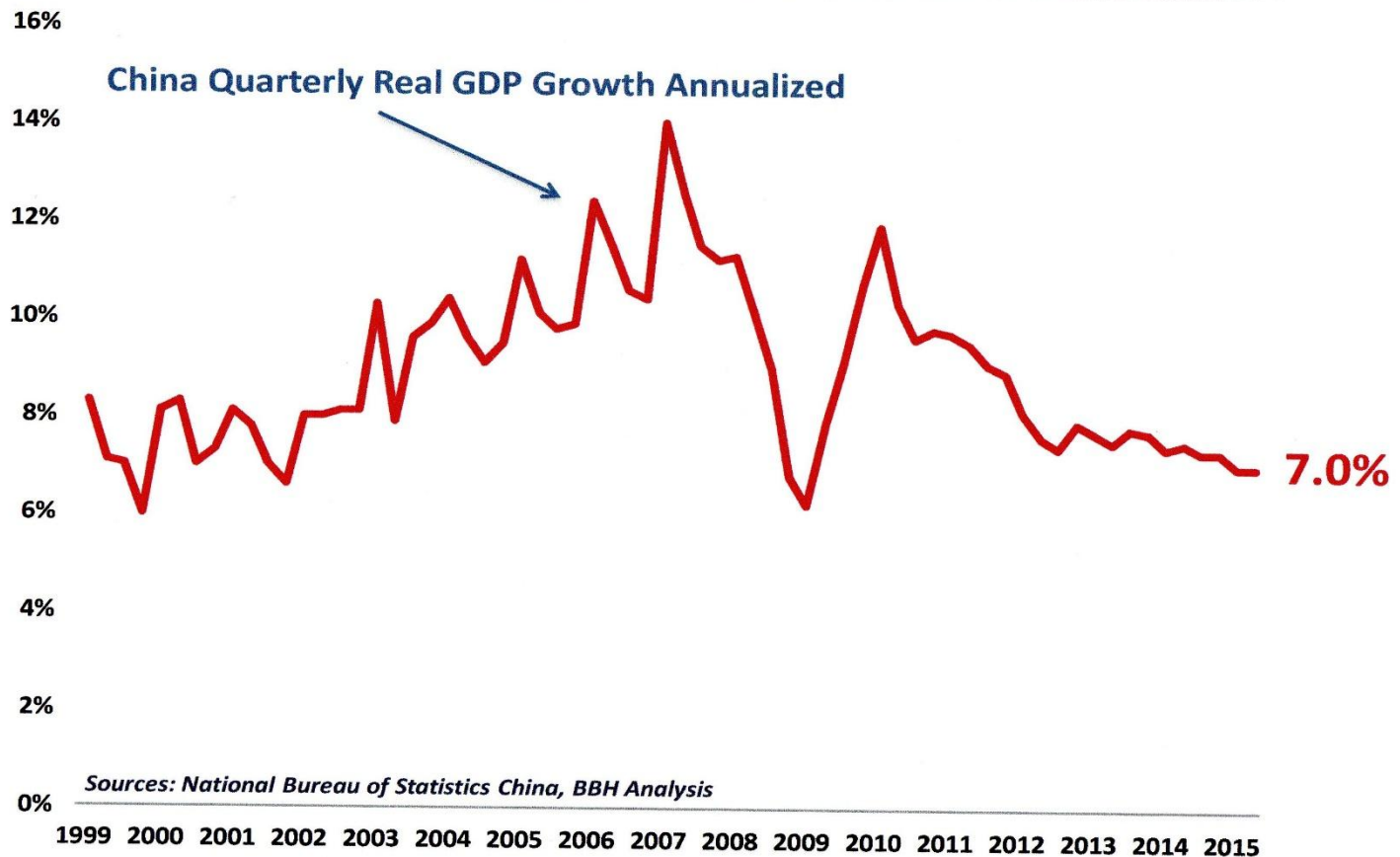
All Politics are Local



Macro-Economic Issues

China

Cause for Concern?



Cultural Business Issues

- Guanxi
- Face
- The Bee Gee's

Big Picture Perspectives

- Expectations
- Independence
- Valuation theory & education
- Development of valuation process

Domestic Valuation Licenses

- A License
- B License
- C License
- WOFE

VPO's

- Domestic:
 - China Appraisal Society
 - China Institute of Real Estate Appraisers
 - China Real Estate Valuers Association
- International
 - RICS
 - Appraisal Institute
 - ASA
 - iiBV

VPO's



- Member VPO's are ASA, CICBV, CAS, TAQEEM
- BV education outside North America
- Localized ASA POV courses
- “International” valuation designation

Inbound - Real Estate

- Lack of Data/Transparency
- Social Assets
- Legal occupancy
- Land Use Rights
 - Benchmark Pricing
 - Secondary transactions

Benchmark LUR's

Benchmark Land Price in China: Present State and Outlook

中国基准地价现状及展望

董为红 高级工程师

China Land Surveying & Planning
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Inbound – M&E

- Cost Approach rules
- 10% Rule
- 15% “floor”
- Lack of obsolescence
- Parallel valuations

Inbound - Business Valuation

- Lack of data
- Forecasts
- Conservative on A/R's
- WACC's
- Preference for cost approaches

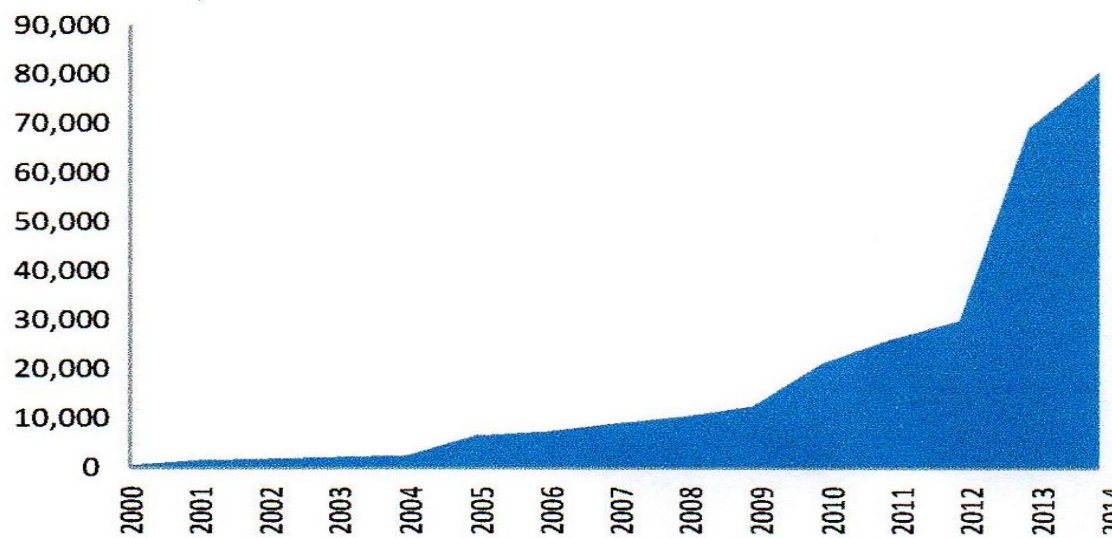
Outbound – M&A

- 2000-2014 FDI = US\$ 46 Billion
 - Employ 80,000 Americans
 - “Local” Politics
 1. Outsourcing
 2. Nat’l Security
- vs.
- local job creation

Employment at US subs of Chinese Firms

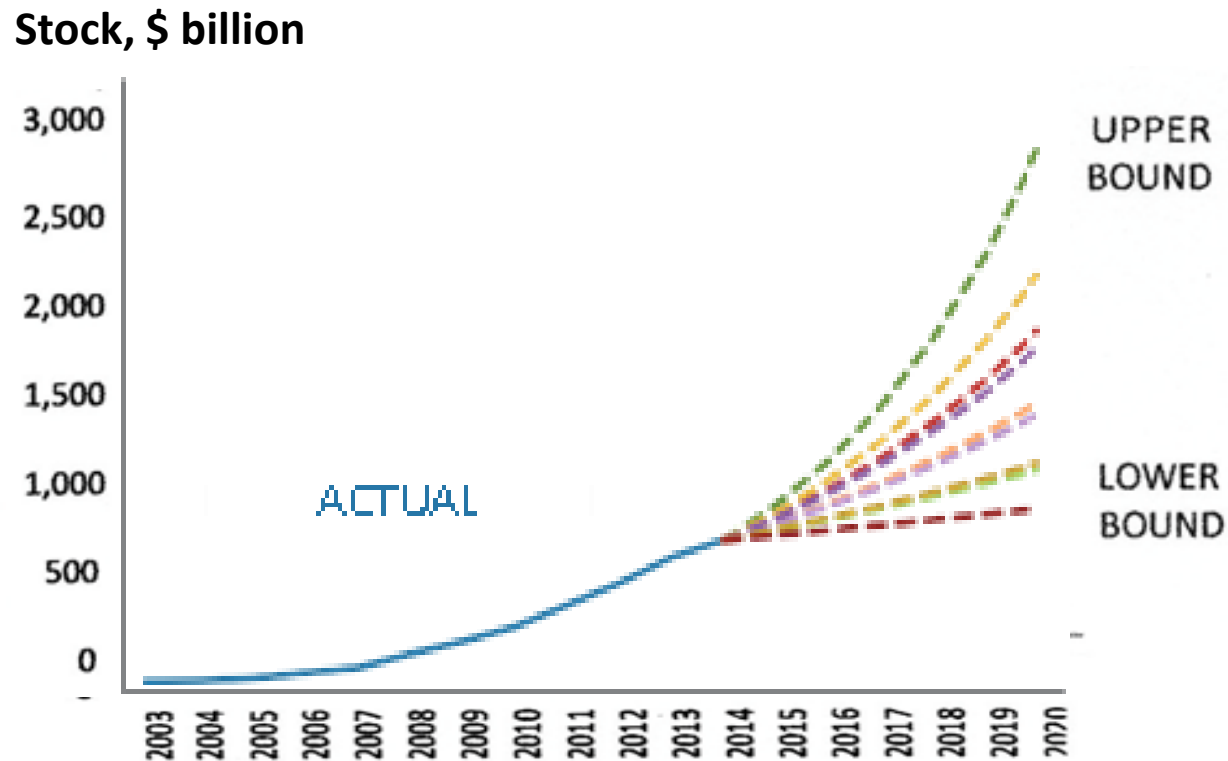
Figure E.2: Employment Provided by Chinese Companies in the US

Number of full-time jobs directly provided by US subsidiaries of Chinese companies

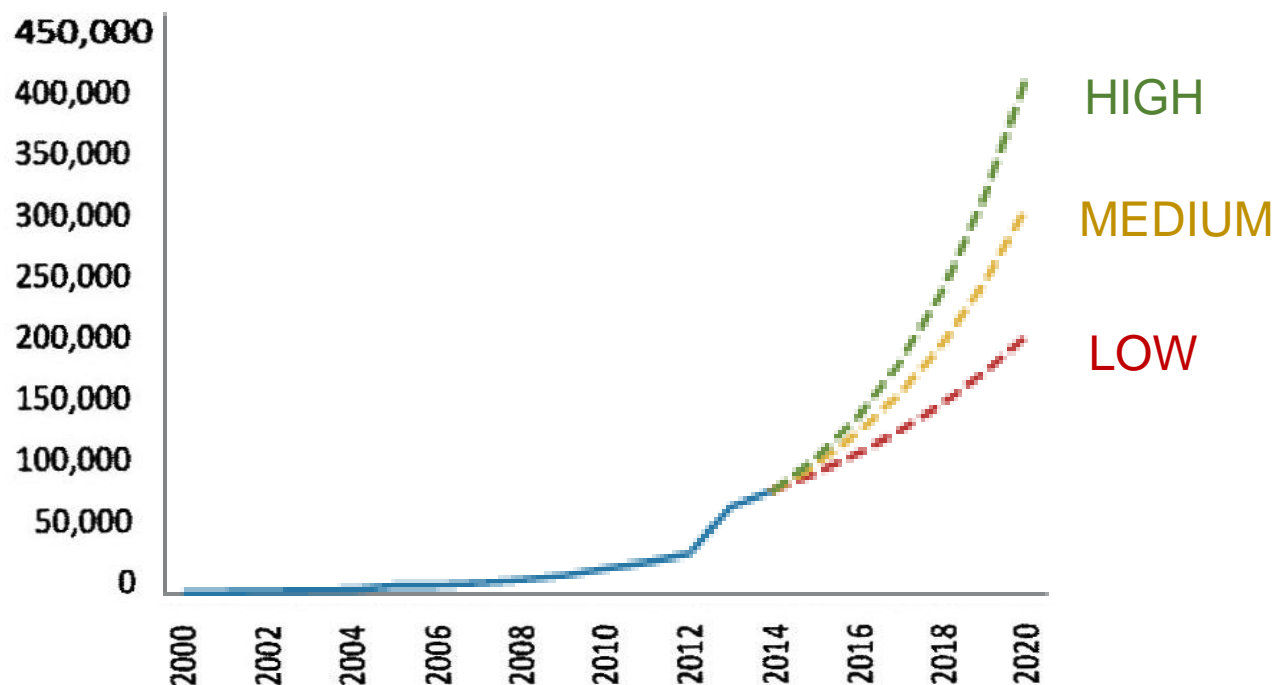


Source: Rhodium Group. See Data Appendix for more details.

Projections Outbound FDI through 2020



Projections Employment US subs by 2020



US Subs of Chinese Firms

- Smithfield Foods



- AMC Theaters



- Ironman Triathlons



Inbound M&A

Northeast FDI

	<u>\$Billions</u>	<u>Subsidiaries</u>
• NY	3.8	120
• MASS	2.0	38
• MD	0.9	28
• NJ	0.8	72
• CT	0.03	7
• NH	<u>0.01</u>	<u>2</u>
Total	7.6	267

Top Issues Chinese Companies - Global

- Risk management, legal and political
- Limited financing channels
- Talent shortage and localization
- Under-utilization of local service firms
- Understanding complex social/political issues
- Cross-cultural integration

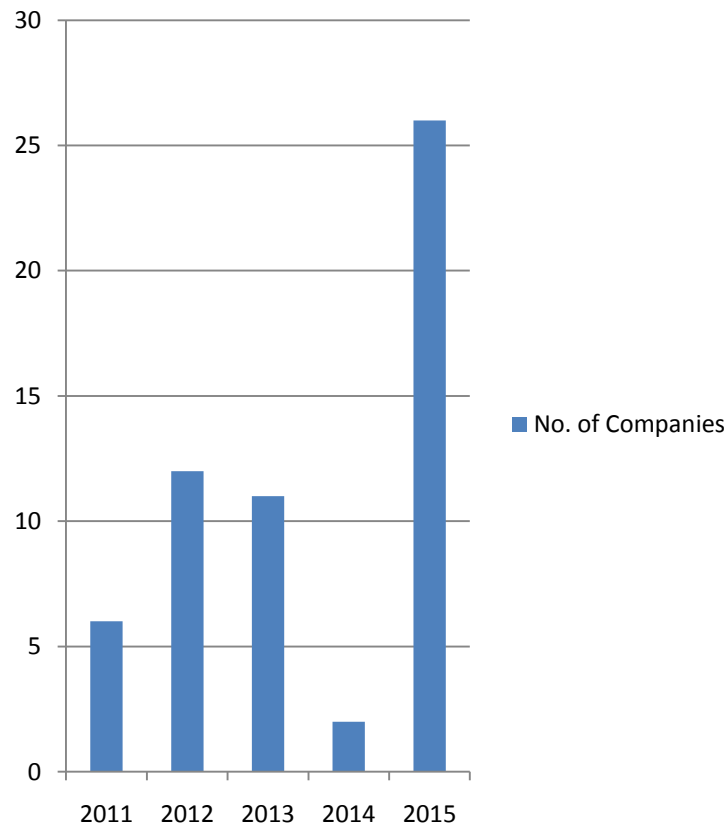
Source-East West Bank

Reverse Merger/Going Private Deals

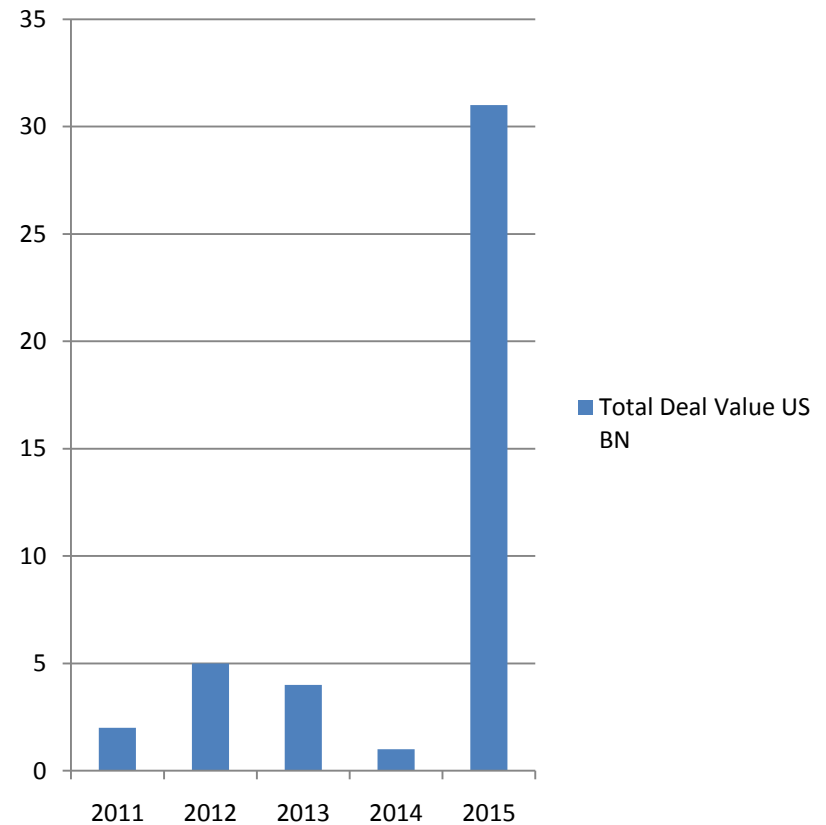
- Reverse Mergers, Delist, ReList
- Alleged fraudulent accounting/disclosures
- “Muddy Waters” effect
- Failed PCAOB/Chinese auditor negotiations
- Lesser regulatory burden

US - Listed Chinese firms Going Private

No. of Companies



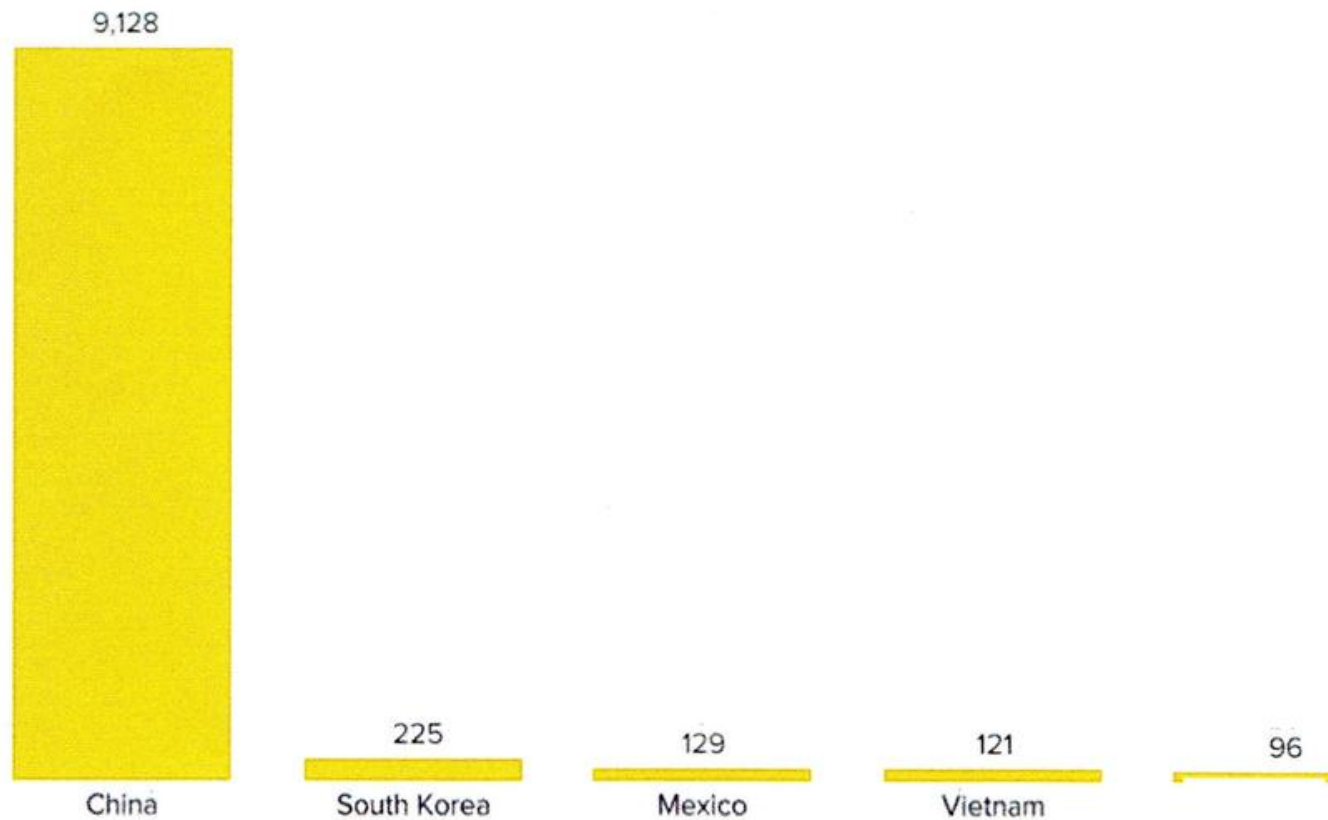
Total Deal Value US\$ BN



Real Estate-Outbound

- US EB-5 Visa Program
 - Created to spur investment & US jobs
 - \$500,000 minimum
 - Generate \approx 10 jobs
 - Has grown exponentially

National Origin of EB-5 Visa Recipients, 2014



Source: [U.S. Department of State](#) | [Get The Data](#) | [Embed](#)

The Atlantic

New York Wheel



Hudson Yards



Trophy Real Estate



How can you participate?



Interview with Liying Han – China Appraisal Society

“ I’m often asked by valuers in the US, how can they do business with these Chinese buyers? Any advice for them?”



“If you want to have something that’s meaningful, you need to build a relationship. That requires an investment of time, attention, and effort. And you have to earn trust.” Gov. Rick Snyder, MI

Additional Resources

- American Chamber of Commerce in Hong Kong www.amcham.org.hk
- US-China Chamber of Commerce www.usccc.org
- Asian Real Estate Association of America (AREAA) www.areaa.org
- Asian American Bar Association of New York www.aabany.org

Thank You!



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