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HONG KONG: YOUR SMART CHOICE FOR FAMILY OFFICES

To paraphrase billionaire investor Warren Buffett, “All time is uncertain ... you just don’t know it”. While market disruption can create opportunity, the constant uncertainty is also a headache for high-net-worth individuals when they turn their attention to succession planning and preserving wealth for future generations.

Enter the family office business, an industry for which global market revenue is forecast to grow from US\$11.076 billion in 2019, to reach US\$16.707 billion in 2025 according to MarketWatch. And Asia is likely to be the most powerful engine for growth, with China supplying much of the rocket fuel.

According to Forbes World’s Billionaire List 2020, six of the world’s top 10 richest cities are in Asia: Hong Kong, ranked 2nd overall, is one of four Chinese cities in the top 10.

“We see huge opportunities for family offices in Hong Kong,” says Christopher Hui, Secretary for Financial Services and the Treasury, adding that the Government will review the relevant tax arrangements with a view to attracting family offices to set up in Hong Kong.

Hong Kong’s Unique Advantages

Hong Kong has deep and mature roots as a sophisticated financial hub with free flows of capital, talent and information. Its resilience is built around a tried and trusted legal system, low and simple tax structure and unshakable commitment to free trade in goods and services. This, combined with its strategic location in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), make the city a potent powerful connector linking Mainland China and the rest of the world.

The GBA contributes to the strong wealth growth momentum in Greater China: there are more than 84,000 ultra high-net-worth (UHNW) families in Greater China, increasing by around 20% over the past three years. More than 19,300 UHNW families are in the GBA, or one-fifth of the total in Greater China.

“The development of family offices is very much in line with Hong Kong’s DNA as a comprehensive international financial

center,” says Mr Hui. “One thing to highlight is the importance of family offices being enduring because families are built to last. On that front, Hong Kong has exhibited similar qualities as being highly resilient and versatile.”

Free Flow of Capital

As a sophisticated banking, asset and wealth management hub, Hong Kong is home to nearly 80 of the world’s 100 largest banks and 70 of top 100 global money managers. Hong Kong has also emerged as the world’s largest offshore Renminbi (RMB) hub.

Unique Access to Mainland China Investment Opportunities

Hong Kong accounts for the largest inbound and outbound direct investment of Mainland China. At the same time, Stock Connect and Bond Connect schemes between Hong Kong and the Mainland give international investors unique access to markets in China and vice versa. A new Wealth Management Connect scheme is poised to launch soon, providing a new and potent string to the bow of wealth managers seeking opportunities in the GBA.

Also, Hong Kong is Asia’s number one hub for international fund management and its second largest private equity (PE) market after Mainland China. There are more than 500 PE and venture capital firms, including 15 of the top 20 global PE managers.

InvestHK’s Global Family Office Team

InvestHK, the agency charged with promoting inward investment, recently set up a Global Family Office Team to assist companies seeking to set up or expand their operations in the city. “The team will develop and implement strategies to position Hong Kong as a leading family office hub in Asia and support overseas and Mainland clients to set up and prosper in Hong Kong and beyond by providing one-stop services,” says Stephen Phillips, Director-General of Investment Promotion at InvestHK.



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