

Opportunities and Developments of Family Office in Hong Kong

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Development of Family Offices – Setting up a family office

Core definition

- A family office is a business entity set up to manage the wealth and affairs of a family

Different typologies

- No. of families serviced: one family or several families
- Ownership” owned by the family or by external professionals
- Physical form: virtual vs physical office, separate from family business or in the same location
- Focus of services: administration, investment mgmt., family management, business management
- Legal form: limited companies, private trust companies
- Generations: one vs. multiple generations, founder led vs external CEO, through succession planning

Business model

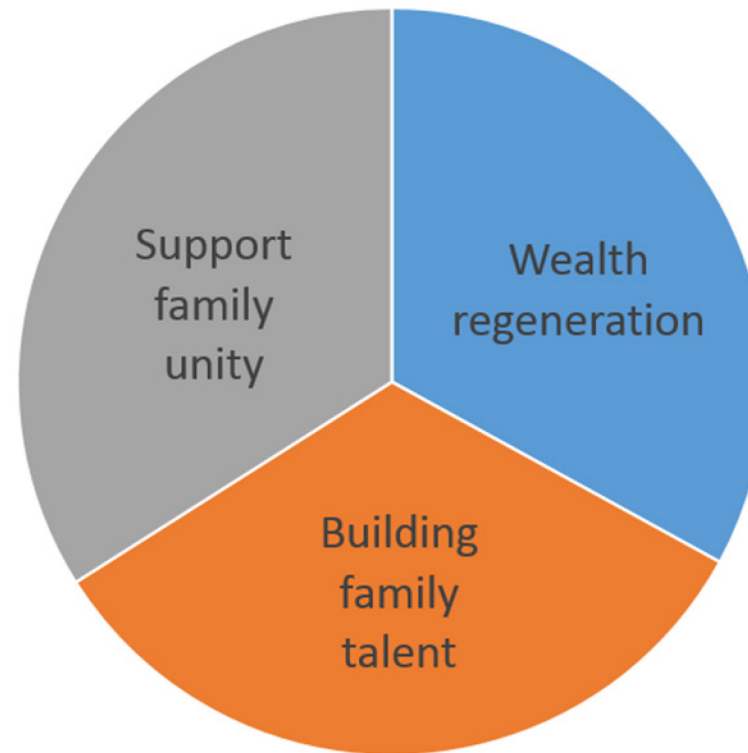
- The management of a Family Office is based on a normal corporate business model requiring a clear strategy, governance, best team, infrastructure and efficient execution. However, the primary focus is to support its founding family which results in a uniquely specialized service business.



Development of Family Offices – Purpose of having a family office

Support family unity

- Family governance support
- Encouraging (with the Family Council) consistent governance practices across the family enterprise
- Organizing family engagement activities to sustain connection with the family enterprise and build family unity



Wealth regeneration

- Timely strategic investments & exits. Structuring assets for control and value creation
- Helping to develop wealth creators, including entrepreneurs

Building family talent

- Organizing family education, development, and mentoring (together with Family Council)



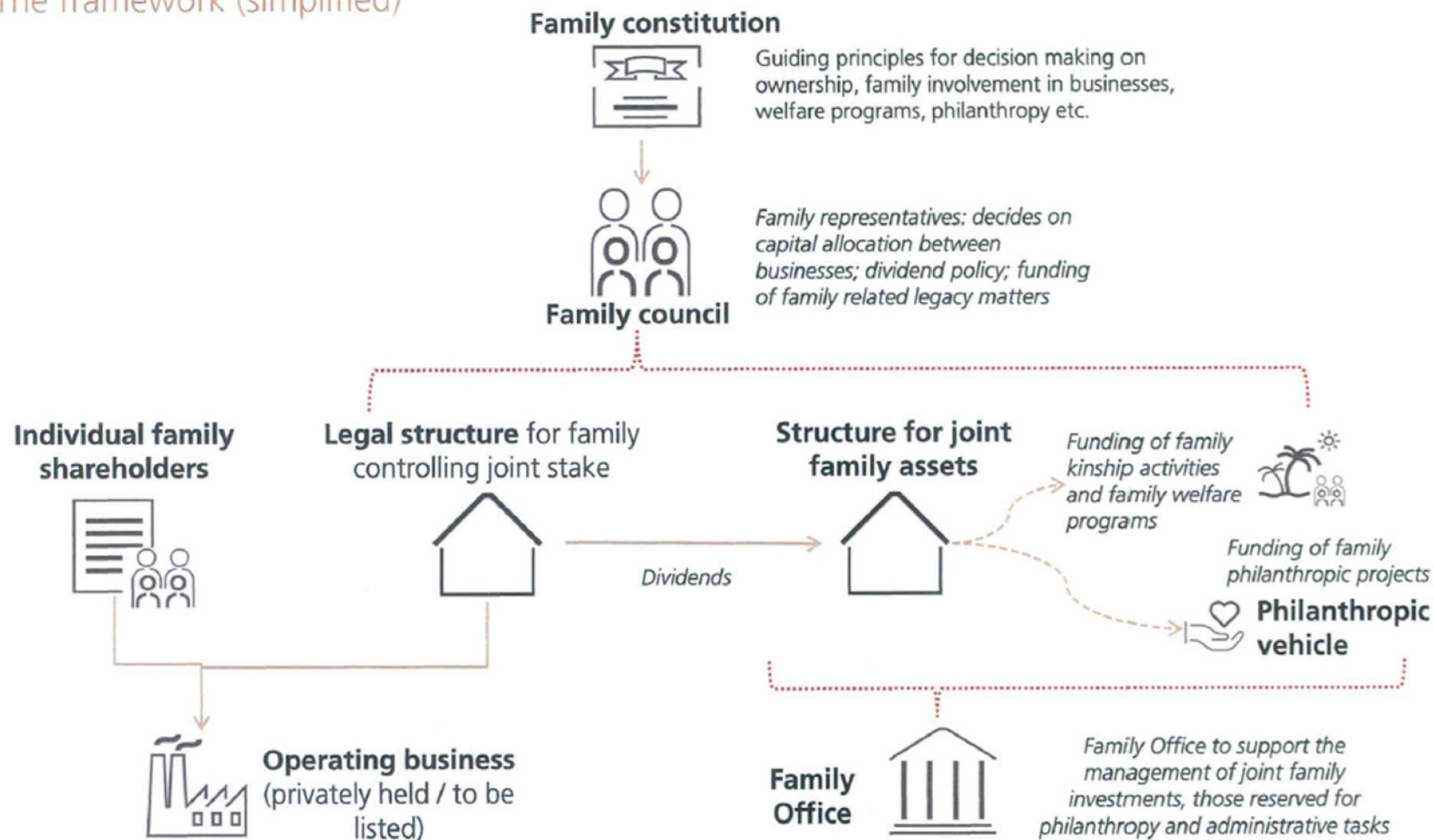
Development of Family Offices – Family business sustainability



“70% of wealthy families lose control of their assets and family harmony following wealth transfer”

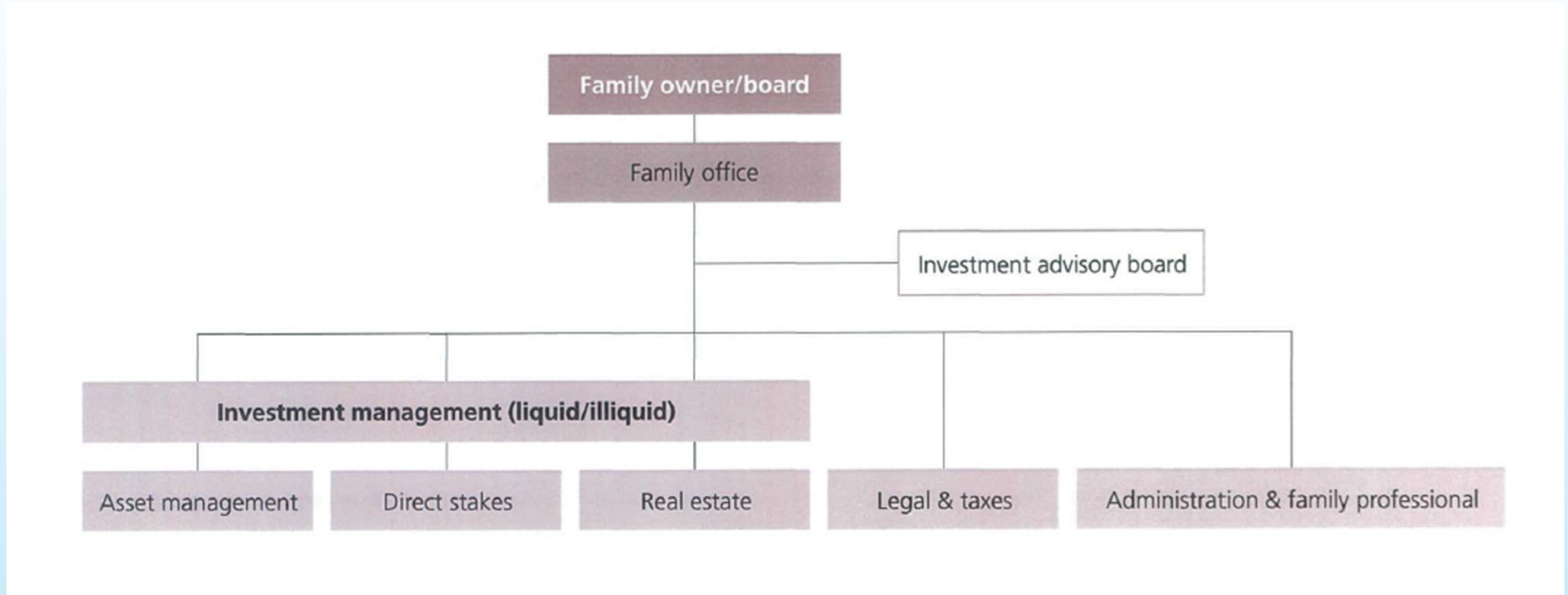
Development of Family Offices – Business Control & Family Unity

The framework (simplified)



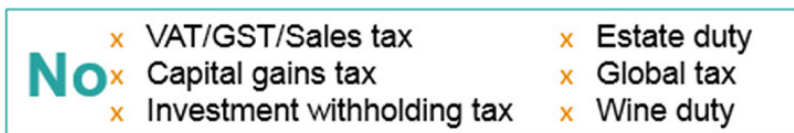


Development of Family Offices – Typical Family Office Structure

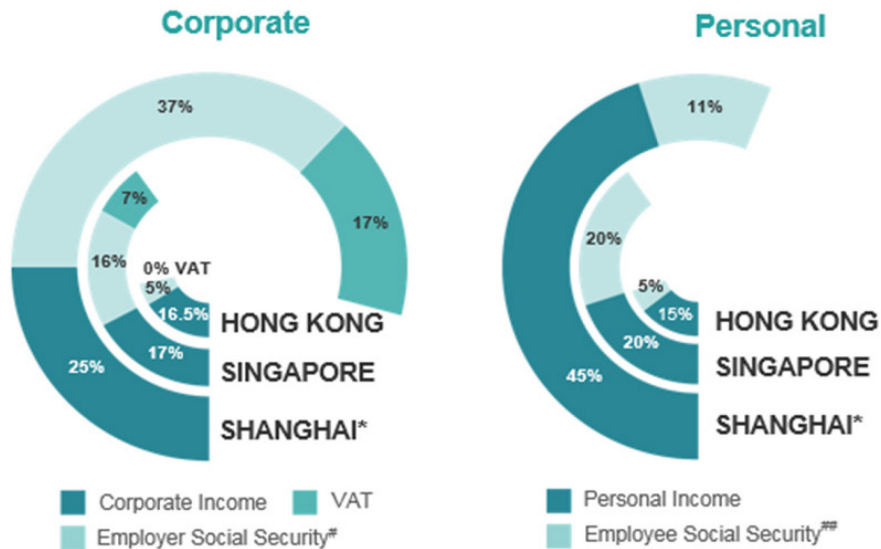


Advantages of Hong Kong – Simple and low tax environment

Simple tax environment



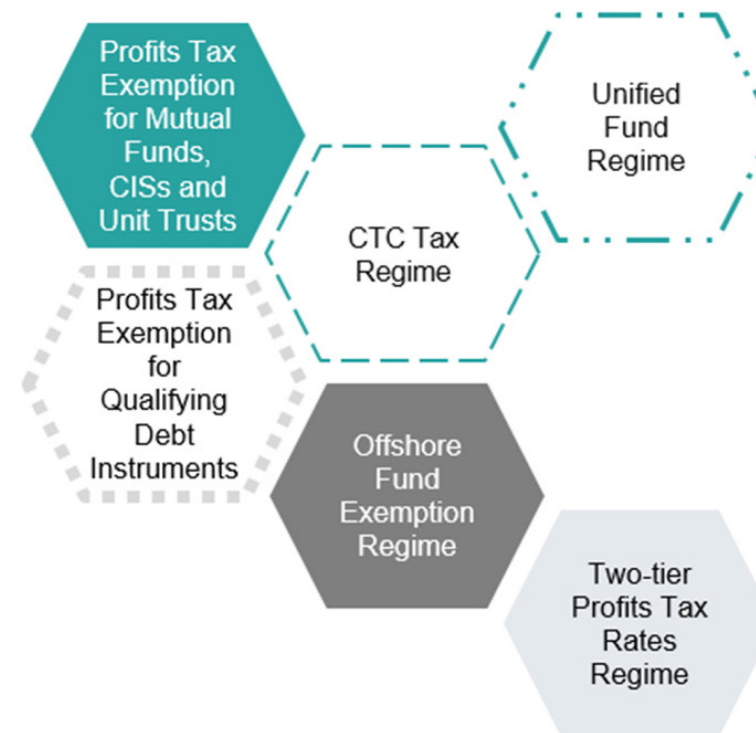
Low overall tax burden



* No standard rate across China. Shanghai is used as an example.
 # as percentage of employee's wage paid by the employer
 ## as percentage of employee's wage paid by the employee

Note: The chart of tax comparison is for illustration only. The various taxes are applied to different bases and are not additive. Where there are multiple tax rates for a type of tax, the highest tax rate is used.

Various tax incentive regimes available, e.g.



Source: Invest HK, 2019 World Corporate Tax Guide (EY)



Advantages of Hong Kong – Hong Kong is the Leading Asset/Wealth Management Hub and More

Hong Kong is Asia's largest cross-border PWM centre; second largest globally after Switzerland

- Cross-border wealth amounted to US\$1.9 trillion in 2020
- All top 15 global private wealth managers (by AUM) are present in Hong Kong



Leading international asset management hub

- Hong Kong's asset under management amounted to US\$3.7 trillion in 2020
- Home to 70 of top 100 global money managers



- **The World's 2nd freest economy in 2020** (Heritage Foundation 2020)
- **2nd Best Business City in Asia** (Business Traveller, 2019 Asia-Pacific Travel Awards)
- **World's 2nd Most Business-Friendly Tax System** (PwC and the World Bank, Paying Taxes 2020)
- **World's 5th Most Competitive Economy** (IMD World Competitiveness Centre, Competitiveness Yearbook, 2020)



Advantages of Hong Kong – Hong Kong as an Ideal Platform for IPO and PE

- World's No. 1 in IPO for 7 out of the past 11 years, including 2019
- 154 IPOs raised in 2020 year-end, with funds raised amounted to US\$95.9 billion



- Asia's No.2 PE market, after mainland China, by capital under management in 2020
- China (including Hong Kong) made up close to 40% of the Asia Pacific PE deal flows



Advantages of Hong Kong – Hong Kong as the Philanthropy and Impact Investment Centre

A comprehensive ESG ecosystem with full Government support



- Green Bond Market**
- One of the world’s largest green bond markets
 - US\$10 billion arranged and issued in 2019



- Strong Government Support**
- Pilot Bond Grant Scheme
 - Green Bond Grant Scheme
 - HK\$100 billion Government Green Bond Programme
 - Enhancement of the Qualifying Debt Instrument Scheme

Philanthropy



15,000+ charitable organizations in Hong Kong



Advantages of Hong Kong – Hong Kong is a Liveable City with Lifestyle Options and Easy Access Globally



A melting pot of East and West offering cosmopolitan lifestyle option

- Over 15,000 restaurants ranging from local foods to international cuisine, over 60 starred restaurants in the Michelin Guide
- Over 72,000 rooms in over 200 hotels



Asia's No. 1 and World's No. 3 Art market



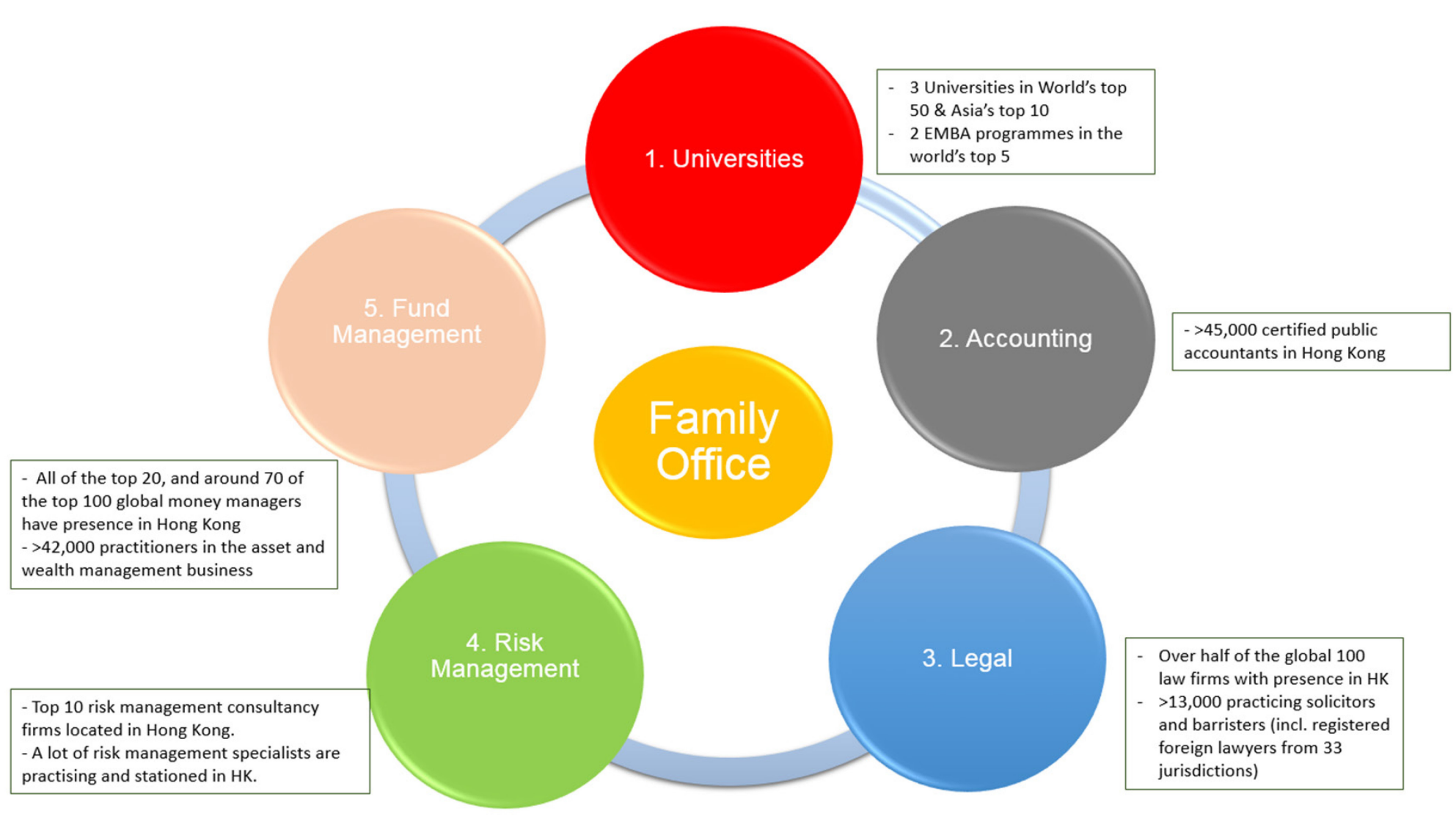
Largest export destination for Bordeaux wine with 16% market share



Easy access to the city

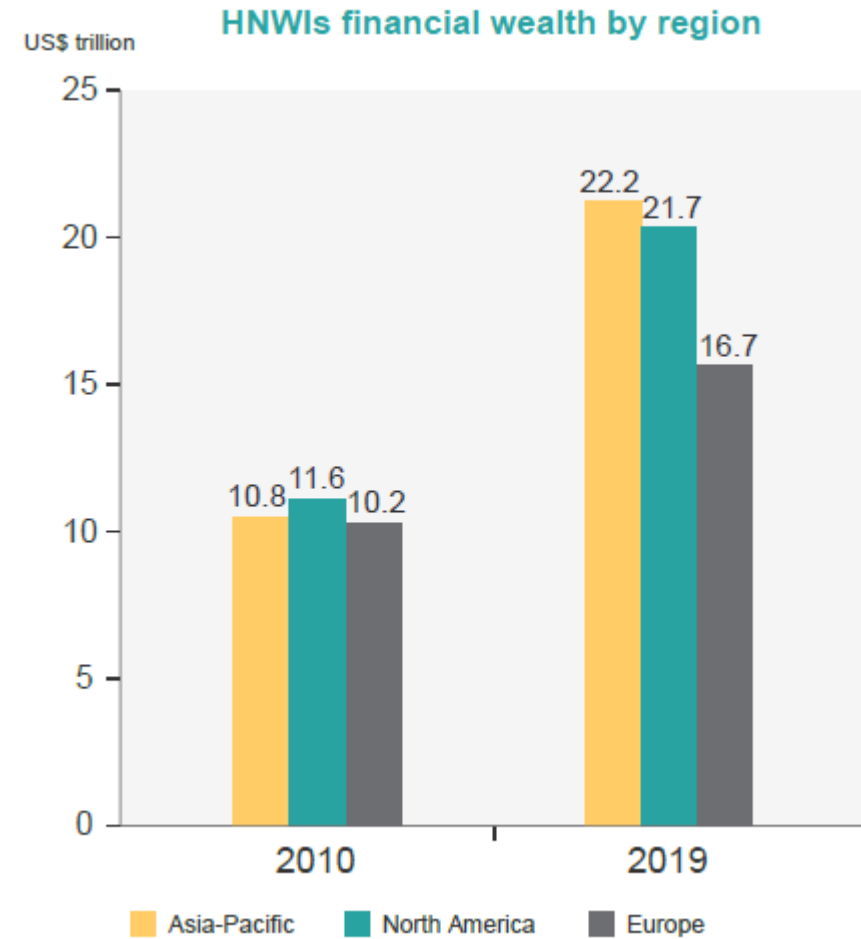
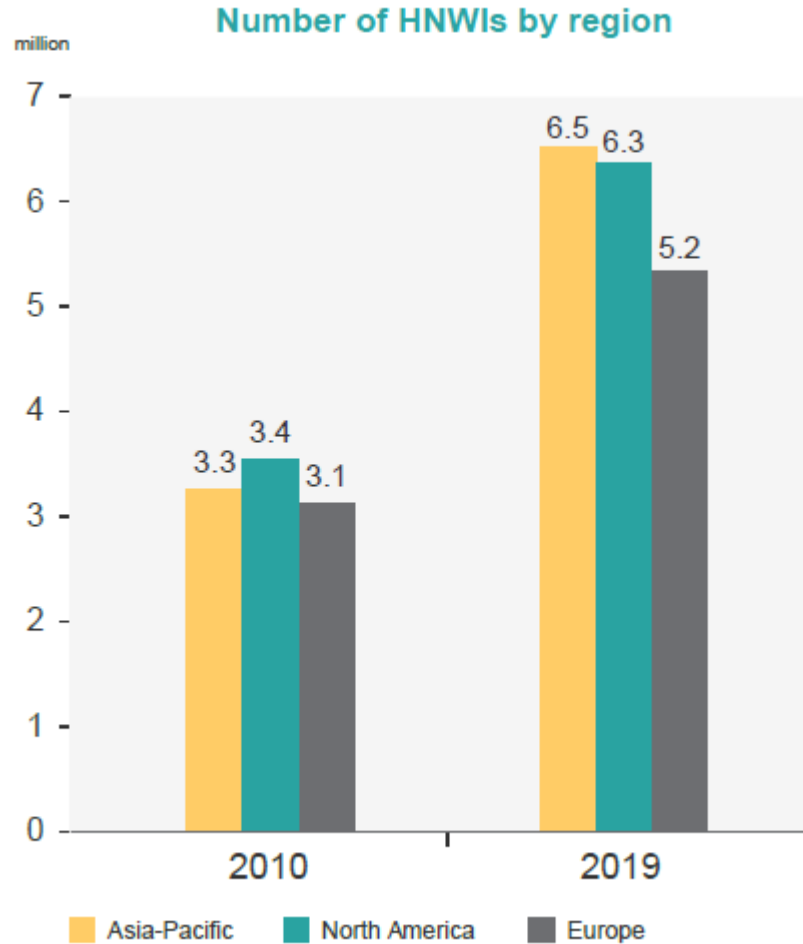
- National of almost 170 countries and territories may visit Hong Kong without a visa/entry permit from 7 - 180 days

Advantages of Hong Kong – Abundant Supply of Professional Services and Talent





Mainland China and Greater Bay Area – Strong Growth in Asia HNWIs Population and Financial Wealth



Mainland China and Greater Bay Area – Greater China is the Key Wealth Creation Region



	San Francisco Bay Area	New York City	GBA	Greater Tokyo Area
GDP (US\$ trn)	0.8	1.7	1.5	1.8
Area (sq.km)	17,900	783	56,000	36,800
Population (mn)	7.6	8.6	71.0	43.8

UHNW families in Greater China



- 84,000+ UHNW families in Greater China, increasing by around 20% in the past 3 years

UHNW families in the GBA



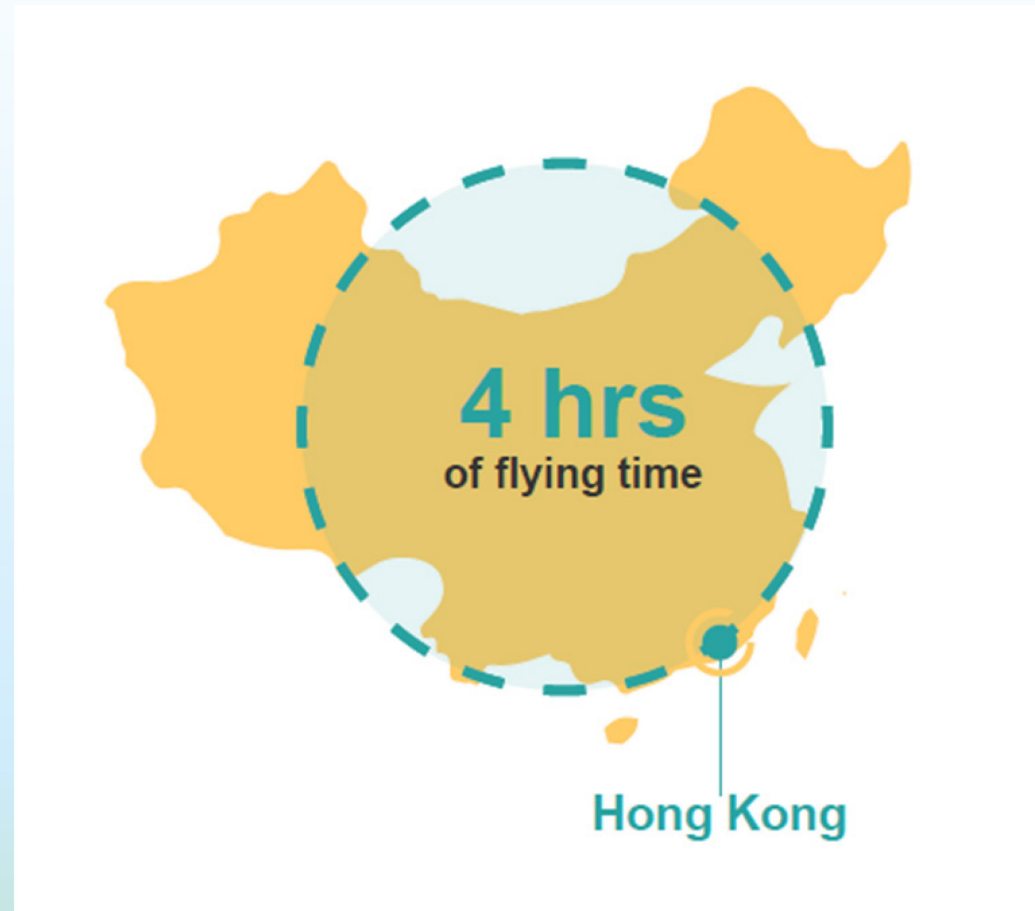
- 19,300+ UHNW families are in the GBA (~1/5 of the entire Greater China)

Note: UHNW family is defined as family with assets over US\$30 million.

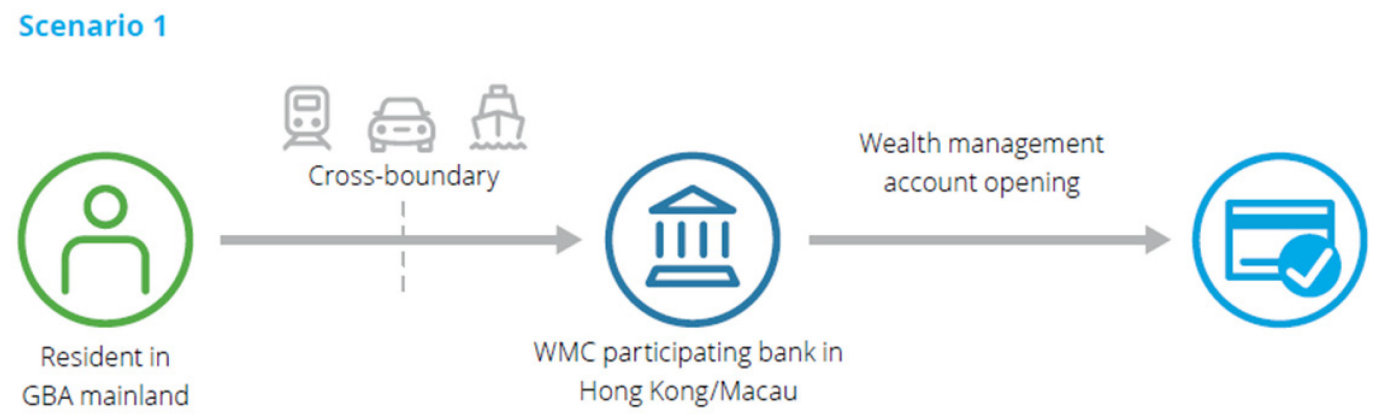


Mainland China and Greater Bay Area – Hong Kong is Unique Gateway to Mainland

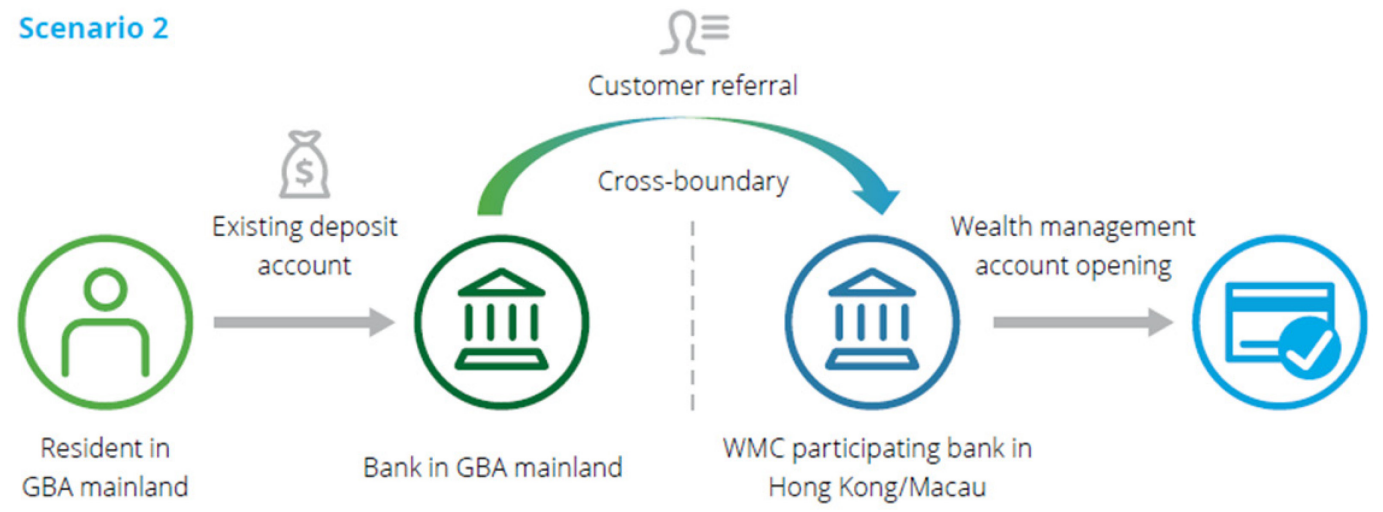
Cultural background and language
Best location
Policy support
Double Taxation Agreement (DTA)



Mainland China and Greater Bay Area – GBA Wealth Management Connect



How WMC might work





Mainland China and Greater Bay Area – GBA Wealth Management Connect



Customer onboarding



Closed loop currency conversion

Getting ready to “Connect”



Separate set of customer accounts

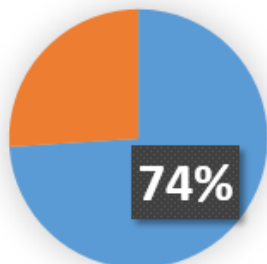


Quota limit system

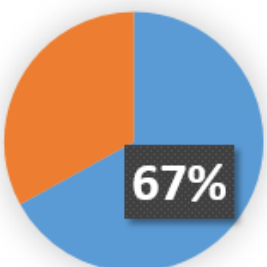


Mainland China and Greater Bay Area – Leading Hub for Family Offices & WMC

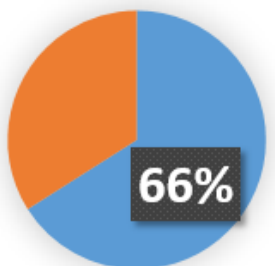
1. Leading Hub for Family Offices



- ✓ A well-defined regulatory regime for family office business

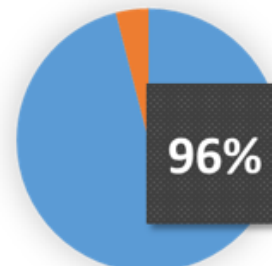


- ✓ A favourable tax regime

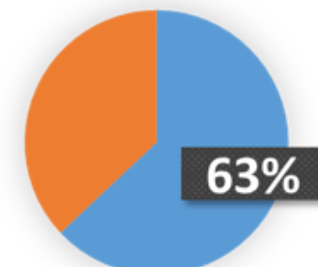


- ✓ Accounting and financial professionals with the skills and capabilities to meet the needs of family offices

2. Wealth Management Connect



- ✓ WMC will give HK a comparative advantage towards PWM & family office sector



- ✓ The launch of WMC would positively impact their business

Government Initiatives – World Class Infrastructure

WHY HONG KONG?



	Highly internationalised business environment		Low and simple tax regime
	Free flow of capital and information		Free port without tariff
	Trusted common law system and independent judiciary		Top-notch universities with strong research capabilities
	Robust Intellectual Property Regime		International Financial Centre




HONG KONG MONETARY AUTHORITY
香港金融管理局



Government Initiatives - Keynote on Promoting Family Office Business

- The family office business has flourished in recent years, becoming an important growth segment in the wealth and asset management industry
- To further develop the family office business in Hong Kong, InvestHK will set up a dedicated team to step up promotion of our advantages in local and other major markets, and offer one-stop support services to family offices which are interested in establishing a presence here

Source: The Chief Executive's 2020 Policy Address



A dedicated team will be set up to step up promotion of our unique advantages, and offer one-stop support services to Family offices which are interested in establishing a presence in the city

Government Initiatives - Licensing Requirements for Family Office Businesses

- SFC recently clarified the licensing requirements for family offices, which should attract more family office operators given Hong Kong's vibrant capital market.
- To enhance our attractiveness as a hub for family offices, InvestHK and regulators will offer one-stop support services to family offices interested in establishing a presence in Hong Kong. We will also review the relevant tax arrangements.

Source: The 2021-22 Budget Speech



Enhance our attractiveness as a hub for family offices, InvestHK and regulators will offer one-stop support services to family offices interested in establishing a presence in Hong Kong



Government Initiatives - Keynote on Promoting Hong Kong as Premier Asset and Wealth Management Centre

- Passage of Limited Partnership Fund Bill. >200 applications received since the regime came into operation, with many funds using GBA as investment theme.
- Provide tax concession for carried interest issued by private equity funds operating in Hong Kong. This takes effect from April 2020.
- Consider more measures to attract overseas incorporated funds to domicile in Hong Kong.



Promoting Hong Kong as a Premier Asset
and Wealth Management Centre

Government Initiatives – Full Support from HKSARG

Collaboration: InvestHK, FSDC, HKMA

- Collaborate with key stakeholders/industry and support family offices to operate in Hong Kong
- Holistic marketing and promotion campaigns

Licensing and regulation: SFC

- Provide family offices with guidelines on licensing responsibilities through circulars and FAQs, including situations where they need to apply for a license under SFO (Circular in Jan 2020 and FAQs in Sept 2020)

Dedicated Family Office team: InvestHK

- Policy Address announced in Nov 2020 and Budget Speech in Feb 2021
- Step up the promotion of Hong Kong's advantages in major markets in Hong Kong, the Mainland and overseas
- Acting as a single point of contact to provide one-stop support services
- Collaborate with regulatory agencies, government departments and industry stakeholders to facilitate family office setup

Exploring “Wealth Management Connect” (WMC)

- 14th Five-Year Plan: Reemphasized the importance of Hong Kong as the global offshore RMB Business hub
- HKMA push forward the concept of WMC into implementation
- WMC will unlock the wealth potential from GBA and attract international financial institutions to gain a foothold in Hong Kong



Government Initiatives - Strong Government and Industry Support to Family Office Ecosystem

	InvestHK	HKMA	SFC, IA	Cyberport	Innovation and Technology Commission
Government support	Industry Specialists: <ul style="list-style-type: none"> • Business & Professional Services • Creative Industries • Consumer Products • Financial Services • FinTech • Innovation & Technology • Tourism & Hospitality • Transport & Industrial • StartmeupHK 	<ul style="list-style-type: none"> • The Fintech Facilitation Office • HKMA FinTech Supervisory Sandbox 	<ul style="list-style-type: none"> • SFC Regulatory Sandbox • IA InsurTech Sandbox 	<ul style="list-style-type: none"> • Cyberport Youth • Cyberport Entrepreneurs • Cyberport Partners 	The Innovation and Technology Fund <ul style="list-style-type: none"> ✓ Supporting Technology Startups ✓ Promoting an I&T Culture ✓ Supporting Research & Development ✓ Facilitating Technology Adoption ✓ Nurturing Technology Talent

Government Initiatives covering a wide range of industries with industry support

InvestHK's Sector Specialists Group, Business Development Group and Worldwide Network

Sector Specialists Group (SSG)

Innovation, Start/Scale Up & Transport, Infrastructure and Advanced Manufacturing			Financial, Fintech & Professional Services			Lifestyle and Creative			
Innovation and Technology	Start and Scale Up	Transport, Infrastructure and Advanced Manufacturing	Financial Services	Family Office	Professional Services	Fintech	Consumer Products and Sourcing	Creative Industries	Tourism, Hospitality and Wellness

International, Mainland and GBA Business Development Group (BDG)

International and Mainland Network				
Chamber and Consulate Partnerships	Greater Bay Area Business Development	Aftercare - Retention and Expansion	Cross cutting issues & lead generation	International Network Business Development and Talent Attraction



InvestHK's Global Development Programme

(A) Objectives

- Position Hong Kong as a leading family office hub in Asia;
- “One-stop” platform to facilitate clients setting up of family office in the city;
- Support family office already established in Hong Kong to expand their business in the city;
- Facilitate discussions between family offices and their stakeholders, regulators and government departments; and
- Build significant family office presence in Hong Kong.

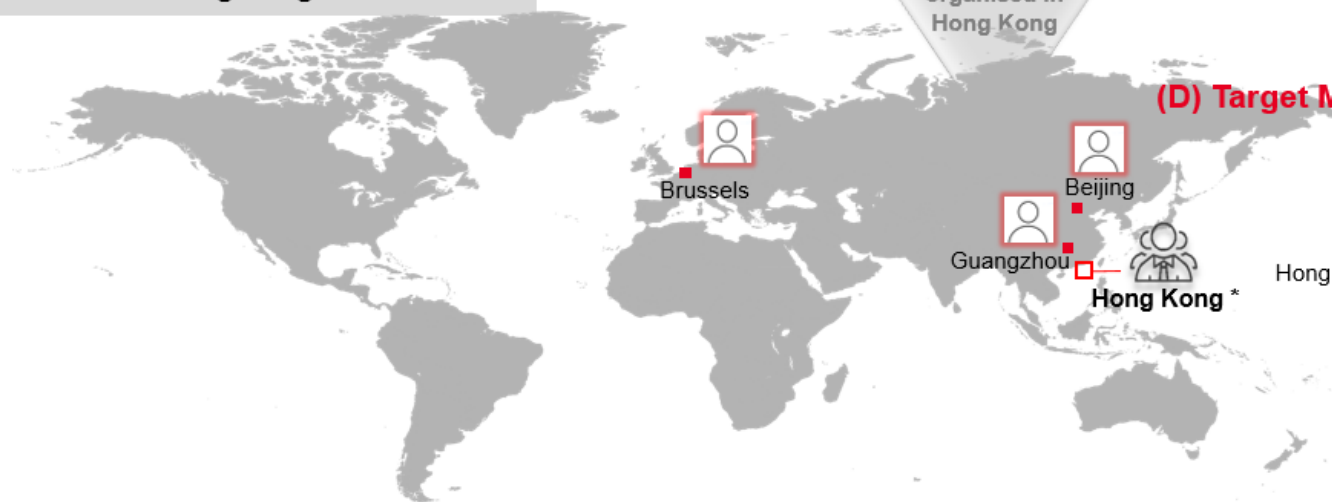
(B) Impact

- 1) Branding Hong Kong as a leading family office Hub in Asia
- 2) Regular exchange sessions with market participants and industry organisations held in Hong Kong so that FO Team can collect latest market insights/opinions on family offices matters
- 3) A number of meetings with industry stakeholders and targets will be conducted annually
- 4) A number of family office contacts will be generated for the year 2021-22
- 5) Specific family office prospects will be expected per year from the year 2022-23 onwards
- 6) An annual flagship event Dedicated to family office industry will be organised in Hong Kong

(C) Activities

- High Level Roundtable
- IP Visits
- Panel Discussion & Exhibition Booth
- Sponsorships
- FO Forums

(D) Target Markets



Hong Kong will cover ASEAN, New York and Middle East

InvestHK's One-stop Platform – Bespoke Advisory Services

We partner with FO clients on a long-term basis and are available at any stage of their development process



Planning

- Sector advice/ opportunities
- Regulatory requirements
- Tax and regulations
- Cost model
- Business incorporation
- Employment law
- Advising on living and working in HK



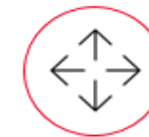
Set-up

- Visa/ Licensing/ Trademark facilitation
- Introduction to regulators/ service providers/ industry associations
- Advice on settling in HK
- Informing on tax and business regulations



Launch

- Connecting with service providers
- Public relations service
- Marketing and promotional support
- Networking and events opportunities
- Opening Ceremony
- Press release



Expansion

- Ongoing industry support on business expansion
- Aftercare services
- Partnership opportunities

Sector Teams

FO Team (to be set up)

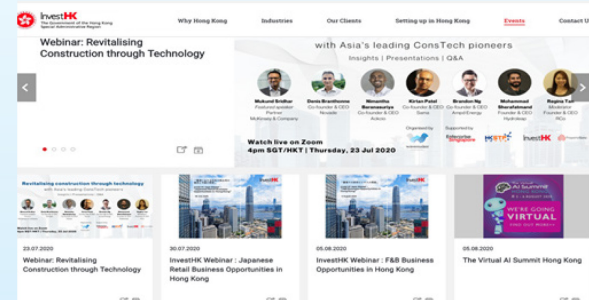
- Jurisdiction analysis
- Assisting to define strategic goal of the family office
- Advising on structuring the family office
- Regulatory compliance advisory
- Introducing to senior government officials
- Tailored/ personal visit programme to Hong Kong
- Introducing FO ecosystem including eSports/ e-Racing/ Gaming/ Fintech/ Biotech, start-ups, etc.

- Facilitate the set up of the corporate entities of the family office
- Advising and connecting to private banking and other FO relationships
- Office set up and recruitment support
- High level concierge services including introduction to exclusive private recreational clubs;
- Bespoke property search; facilitate the acquisition/ sale of yachts, aircrafts, (classic cars), horses and other valuables

- Assisting to establish charitable foundations/ Green/ ESG/ social responsibility, etc
- Facilitating fund raising activities e.g. IPO by connecting them with HKEx and investment banks
- Sourcing of investment deals including direct investment, IPO via InvestHK's network
- Connecting with local family offices for co-investment opportunities
- Introducing to potential partners and investors
- Deepening their relationships in the FO ecosystem by arranging FO events and activities in Hong Kong, Mainland and overseas
- Advising on GBA opportunities and facilitation of expansion and investment in Mainland China

InvestHK's Resources & Materials

- Family Office Website www.familyoffices.hk
- Family Office Pitchbook and Flyer
- InvestHK Events www.investhk.gov.hk/en/events.html
- InvestHK Quarterly Newsletter www.investhk.gov.hk/en/resource-centre.html
- Financial Services Quarterly Newsletter www.investhk.gov.hk/en/news.html

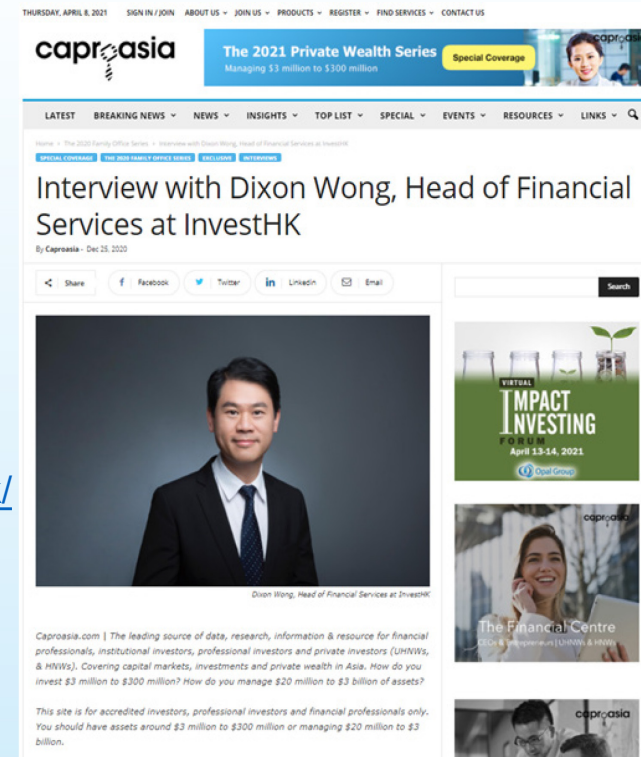


InvestHK's Media Coverage and Articles

- Wall Street Journal Article on "Hong Kong: The Smart Choice for Your Family Office" <https://partners.wsj.com/investhk/family-office/>

- Caproasia Interview 2020 <https://www.caproasia.com/2020/12/25/interview-with-dixon-wong-head-of-financial-services-at-investhk/>

- Forbes Asia
- Forbes China



InvestHK's Family Office Case Studies

Hywin Wealth



Leading Independent Wealth Manager Finds Hong Kong an Irresistible Place for Family Offices

Hywin Wealth shares insights of running family offices in Hong Kong and in Mainland China.

helping our clients to take a leap into the global market."

Wang believes that Hong Kong's unique position in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) also expands the city further into a 'cross shore' financial centre, combining the advantages of offshore places like Singapore with the home field advantages of onshore cities like Shanghai. "Hywin recently set up our GBA headquarters in Shenzhen to further promote and capture synergies with Hong Kong," she noted. "We and our clients benefit from the tremendous value being created by linkages among the capital, manpower and technology in the Pearl River Delta."

was partly driven by the intention to engage the best and brightest young talent who came from around the world to Hong Kong," Wang noted.

She appreciates the professionalism and advice of InvestHK, notably its introduction to potential partners in different parts of the world and facilitating discussions with industry associations and business groups. "InvestHK as the super ambassador of Hong Kong is unrivalled," Wang concluded.

Wang also shared the next move of Hywin in the family office arena, "building on the great successes of Hywin International Family Office in Hong Kong, we plan to set a family office institute to pool and share the best practices of family offices, with both established players in the city and new entrants to Hong Kong from Mainland China and other parts of the world."

“ Only with Hong Kong can we achieve integrated client coverage, coordinated delivery of a global proposition, and agile responses to cross-border trends. ”

Wang Dian
CEO
Hywin Wealth Management Co. Ltd.

Engaging international talent
Hywin is confident in Hong Kong's talent pool, and has recruited experienced and entry level staff members into its fold. "Our recent Wealth + Tech seminar with Hong Kong University of Science and Technology

Many people work hard for their fortune, and understandably want to preserve it for future generations. Hywin Wealth Management was set up to help clients with wealth management, asset management, family succession planning and insurance solutions. With its own origins as a family enterprise, Hywin understands the needs and aspirations of ultra high net worth (UHNW) families, and works hand in hand with them as a partner, friend and regent.

To Hywin, family offices in Mainland China differ from their counterparts in Hong Kong. "In Mainland China, they tend to focus on investment returns, portfolio management and exclusive access to investment opportunities," explained Wang Dian, CEO of Hywin. "Topics like family governance and philanthropic planning became notable only recently. In contrast, family offices in Hong Kong have mellow and balanced agendas for global asset allocation, protection solutions, legal and tax planning, family advisory, succession planning and pursuits such as ESG topics."

Hong Kong as gateway for globalisation

Hywin views Hong Kong as the gateway for its globalisation. "Only with Hong Kong can we achieve integrated client coverage, coordinated delivery of a global proposition, and agile responses to cross-border trends," said Wang.

She added, "Hong Kong is a special city. It is a convergence point for global financial capital, top-notch talents and innovations. For Hywin, we can leverage our parent company in Mainland China and integrate into the financial ecosystem in Hong Kong.

Hywin Wealth Management

- Established in 2006 in Shanghai, Hywin Wealth is an independent wealth management company with 3,000 staff members across Hong Kong, Mainland China, the US and the UK

- Its Hong Kong subsidiary - Hywin International - has around 30 employees specialising in wealth management, asset management, insurance brokerage and fiduciary services

hywin.com.hk

Sustaining Family Wealth for Future Generations

With Asia becoming the new centre for global wealth creation, Raffles Family Office accelerates expansion into Mainland China and Asia with its headquarters in Hong Kong.



While Chinese proverb says "wealth never lasts over three generations", sustaining family wealth and asset across generations has been one of the many challenges for tycoons. Some high-net worth individuals and members of elite family turn to professional help to ensure a sustainable transition of family legacy. Founded in 2016, Raffles Family Office (RFO) aims to create values for clients by offering purpose-driven asset and wealth management services to address their long-term legacy planning needs across generations.

Burgeoning family office market in Asia

Kwan Chi Man, Founder and CEO of RFO, sees rapid regional growth of family office market. "Asia is now home to the world's fastest growing high net worth individuals (HNWIs) population with 40 percent of billionaires from Mainland China," he said. "Hong Kong serves as a dominant gateway to connect investors from Asia and global markets. It is an ideal place for us to engage prospects and clients on dialogues of their succession plans."

“ Hong Kong serves as a dominant gateway to connect investors from Asia and global markets. It is an ideal place for us to engage prospects and clients on dialogues of their succession plans. ”

Kwan Chi Man
Founder and CEO
Raffles Family Office

Headquartered in Hong Kong with a presence in four markets in Asia, RFO provides a full suite of family office solutions, including residency planning, investments, property sale and financing in addition to tax and legal advice. The Hong Kong office orchestrates the company's corporate level strategies as well as its regional and global development.

A resilient global financial hub

According to Kwan, Hong Kong is an ideal place for setting up family offices thanks to the government's supportive policies. "The city's transparent regulatory framework and its well-established legal system have earned trust from international communities," he said, "its low tax rate and resilient banking sector are particularly attractive to investors."

He added, "The abundant supply of highly skilled talent in the financial industry is also a crucial aspect. Corporates can easily look for experienced employees with good track record. Their experiences and global exposure are essential for businesses to grow and flourish."

Raffles Family Office

- Headquartered in Hong Kong with around 60 staff members with solid experiences in operations, investment, compliance and front line

- Plans to set up offices in Shanghai, Beijing and Chengdu to serve the Chinese market of HNWI's

rafflesgroup.co

Securing Family Legacies

Pacific Hawk specialises in multi-family office wealth management to ensure peace of mind through successive generations.

The only constant in life is change. Classical Greek philosopher Heraclitus' quote still rings true 25 centuries after his death. And while rags to riches stories provide aspirational goals to strive for, riches to rags tales are just as common. According to Ann Cooley, CEO of Pacific Hawk, up to 70 percent of wealthy families lose their wealth by the second generation. A further 90 percent of the money will be completely gone by the third generation.

"Those numbers are staggering, especially when it has taken a lifetime of hard work and sacrifice for our clients to have accumulated it," Cooley observed. "That is why for decades, Pacific Hawk has built a reputation as a trusted advisor that continually outperforms other investment platforms by offering investment advice that is confidential, reliable and trustworthy." For the many multi-family offices in Asia, it makes sense to seek advice from experts that can cater to their specific needs.

Cooley, a finance veteran who worked in numerous international banks in London and New York, founded Pacific Hawk in 1997. The company is itself a multi-family office that offers asset management, private equity and financial solutions tailored for multi-generational family goals and company needs. Its Global Fund of Funds adopts a multi-strategy and multi-manager approach that includes global equity, fixed income and hedge funds. Furthermore, it offers Hong Kong's first open-ended fund company (OFC) supervised by the Securities and Futures Commission (SFC). "An OFC is more cost effective and transparent than offshore fund structures,"

“ Many banks and investment firms across the globe have expanded into Hong Kong. We see growth in the Guangdong-Hong Kong-Macao Greater Bay Area as being a plus to obtain more clients, enhance our investment strategies and collaborate with other groups on new technologies and ideas. ”

Ann Cooley
CEO
Pacific Hawk (HK) Limited



Cooley revealed. "Open-ended funds fill a big gap in the range of investment options in Hong Kong. We will create new opportunities for fund management professionals, independent directors, and other legal and professional services."

Protecting assets while creating legacies for multi-generations

In the past 23 years, Cooley has witnessed an explosion of wealth in Asia. "Markets have become more sophisticated," she noted. "International families have many things in common: they all want to have family harmony, protect assets, and create legacies. As patriarchs and matriarchs have gotten older, succession planning has become more prevalent. With this surge in wealth also comes a steady influx of new opportunities. Many banks and investment

firms across the globe have expanded into Hong Kong. We see growth in the Guangdong-Hong Kong-Macao Greater Bay Area as being a plus to obtain more clients, enhance our investment strategies and collaborate with other groups on new technologies and ideas."

Cooley has appreciated both Hong Kong as a place to live and InvestHK as a source for collaboration. "InvestHK is a trustworthy source for delivering high level global insights, thought provoking interviews from opinion leaders, and an entrance to a pool of strategic relationships," she states. "Hong Kong offers excellent career and business opportunities, as well as diverse social and leisure options. It is a brilliant place to live and work."

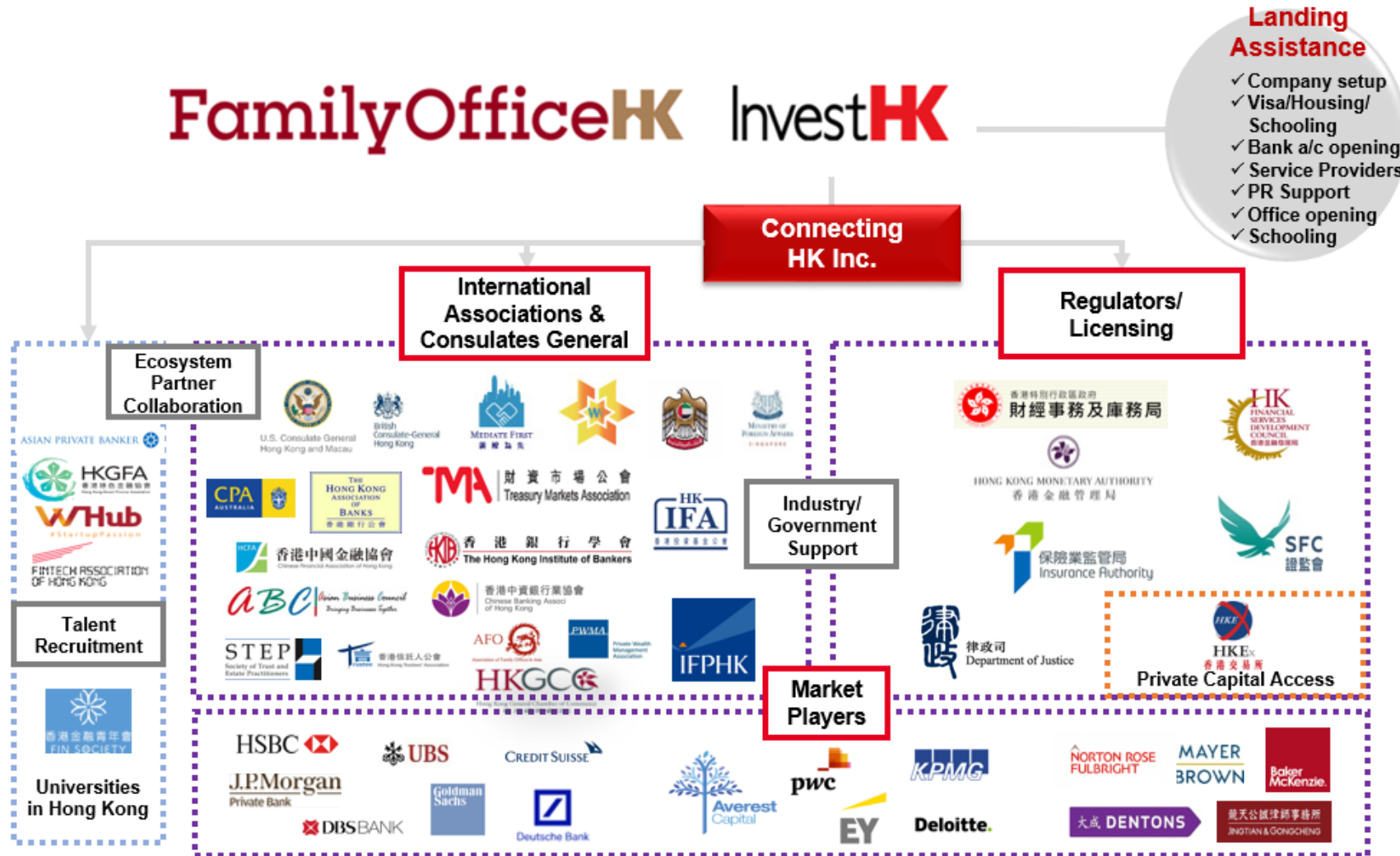
Pacific Hawk

Founded in 1997 and based in Hong Kong, Pacific Hawk is a multi-family office providing financial services for families and individuals in Europe, the US and Asia

It is licensed by the Hong Kong Securities and Futures Commission for Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities

pacifichawk.com

InvestHK's Engagement of Key Stakeholders



Remarks: InvestHK can arrange private meetings for Senior Government Officials to meet with FO clients



Thank you