

Family Office Insights

Family Office Trio – The Greater China Landscape

When people think about Chinese family offices, many might perhaps visualise them as a homogenous group that displays similar properties.

In reality, however, not all of these family offices are (and should be) created the same. Within Greater China (the region which includes Mainland China, Taiwan, Hong Kong and Macao), in each of these locations family offices can be vastly different in terms of composition and functions. The resulting variations are due to the different stages of economic development, wealth accumulation and transfer and many other social, economic and even political factors. Like in many Asian countries, family offices in the Greater China region may just exist as a section within the family business rather than a separate legal entity. None of Mainland China, Taiwan, Hong Kong and Macao has explicit, definitive laws and regulations targeting family offices. That said, the region might have witnessed and will continue to provide the highest growth in the number of single and multi-family offices establishments. This article aims to offer a comparative overview of standalone single family offices in the various locations in this region.

Mainland China

The wealth management industry has high hopes for this part of Greater China especially as China alone accounts for the biggest number of super-wealthy individuals in the world, following the United States. Single family offices are largely set up by first generation entrepreneurs who have experienced exit events in the form of IPOs or trade sales and suddenly find themselves extremely rich in cash. Nevertheless, the number of single family offices could be the lowest in the entire Region, due to such factors as controlled capital account and currency flows and the lack of policy incentives to drive the development. Many mainlanders opt to set up the family office in Hong Kong or Singapore for tax and risk management reasons. Mainland Chinese family offices focus primarily on public equity and private project investments. They are prepared to gain exposure in alternative asset classes and expect to generate double-digit investment returns. The families understand and appreciate the necessity and advantages of 'soft' family governance and fiduciary functions. Though we are yet to see truly comprehensive value-centric family offices within China, it should not take long for them to emerge in large numbers.

Taiwan

Compared to the Mainland, Taiwan tends to have a higher concentration of governance-oriented family offices that are created to organise succession and family members' affairs. These family offices feature detailed governance systems and well-thought out division of labour such as distribution pattern, family constitutions and family meetings to bring the family together and keep the descendants driven and relatively independent. They are possibly the outcome of waves of high-profile family disputes with an enormous amount of asset at stake.

Some families are faced with the situation of the patriarch having multiple 'wives' where one single family office is created to manage all of the 'wives' or multiple family offices are used, each dedicated to a 'wife' and descendants of that branch such that affairs are segregated to reduce disputes. More likely than the Mainland, family office establishment is driven by the younger generation educated abroad and holding foreign passports, as Taiwan has had a much longer period of economic growth from which many family businesses flourished for more than two generations. Demand for family offices within Taiwan would be largely domestic, as the families would be from within Taiwan. There is a prevalent use of both domestic and international assets holding and fiduciary structures, and for planning reasons, the family office might be operated out of Taiwan and other locations (mainly Hong Kong or Singapore).

Hong Kong and Macao

Hong Kong is home to many of the longest established and biggest family offices in the Region (or even Asia). Family offices in Hong Kong (and occasionally some seen in Macao) are created to serve local families. Many of them created a substantive level of wealth in the last 30 years and feature different attributes from those of family offices in the Mainland and Taiwan. Families that are not ethnic-Chinese or international families with no explicit connection with Greater China, have also been observed to choose Hong Kong (if not Singapore, which is considered Hong Kong's primary competitor in Asia) as the primary or secondary location of the family office. Compared to the Mainland and Taiwan, even more family offices in Hong Kong are driven by the younger generations.

Macao is relatively similar to Hong Kong being a family office location for some local families and a small number of mainland Chinese families. Assets managed by Hong Kong family offices would usually be truly international in location and diversified in asset class. In terms of functionalities, they are more balanced compared to their Mainland counterparts, but are less focused on governance compared to those in Taiwan.

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