

## LCQ15: Exploring Middle East market

Following is a question by the Hon Edward Leung and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (April 24):

Question:

Regarding exploring the Middle East market, will the Government inform this Council:

- (1) whether it will provide a specific definition for family offices (e.g. whether it will set a minimum asset threshold); if so, of the details; if not, the reasons for that;
- (2) of the number of family offices from the Middle East region among the family offices currently established in Hong Kong, and the proportion of the amount of capital they have invested in Hong Kong in the overall amount of capital invested by all family offices established in Hong Kong; of the number of family offices from the Middle East region planning to set up operations in Hong Kong;
- (3) among the family offices established in Hong Kong which came from the Middle East region as mentioned in (2), of the number of those directly facilitated by the dedicated FamilyOfficeHK team under Invest Hong Kong;
- (4) of the structure, staffing establishment and strength of the dedicated team mentioned in (3) involved in the work relating to the Middle East market; whether the authorities have allocated dedicated funding and additional manpower for targeted publicity in order to attract capital from the Middle East region; if so, of the details; if not, the reasons for that;
- (5) whether it has formulated performance indicators for individual government departments concerned in respect of attracting capital from the Middle East region, such as (i) the number of target clients to be approached, (ii) the number of events to be held, (iii) the amount of capital to be brought in, and (iv) the number of family offices to be attracted to set up in Hong Kong each year; and
- (6) as it is learnt that some Mainland cities have put in place a reward system to encourage referrers to attract enterprises and investments, under which referrers will get a cash bonus at different stages such as upon capital investment by investors and upon generation of actual tax revenues by the government, and such practice is very effective, whether the authorities will look into such practice to encourage third parties to proactively introduce family offices from the Middle East region to Hong Kong; if so, of the details; if not, the reasons for that?

Reply:

President,

In consultation with the Commerce and Economic Development Bureau and Invest Hong Kong (InvestHK), the consolidated reply to the various parts of the question is as follows:

(1) Family offices (FOs) generally refer to private companies which assume the day-to-day management and administration of the family assets of ultra-high-net-worth individuals (usually defined as individuals with a net worth of at least US\$30 million in investible assets). There are generally two types of FOs: single FOs (which provide services to a single ultra-high-net-worth family) and multi-FOs (which provide services to multiple ultra-high-net-worth families).

Under the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Ordinance 2023, family-owned investment holding vehicles managed by an eligible single FO with aggregate specified assets of at least HK\$240 million are eligible for profits tax exemption.

(2) and (3) According to the research findings of the consultant commissioned by InvestHK and publicised in March this year, there were around 2 700 single FOs as of end-2023, with over half of them set up by ultra-high-net-worth individuals having a wealth of US\$50 million or above. The dedicated FamilyOfficeHK team (the dedicated team) of InvestHK provides one-stop support services to FOs and ultra-high-net-worth individuals interested in pursuing development in Hong Kong. Since its establishment in June 2021 up to end-March 2024, the dedicated team received over 650 enquiries on setting up FOs in Hong Kong (including around 40 enquiries from the Middle East). One hundred thirty-six FOs (nine of which are from the Middle East) have indicated that they are preparing or have decided to set up or expand their business in Hong Kong.

The dedicated team has assisted 64 FOs in setting up or expanding their business in Hong Kong (including 49 from the Mainland, eight from Asia, four from North America and three from Europe; thus far no FOs from the Middle East). As FOs in Hong Kong are not required to disclose their assets under management to the Government, the Government does not maintain relevant figures.

(4), (5) and (6) As set out in the 2022 Policy Address, the Government aims to attract at least a total of 1 130 companies to set up or expand their operations in Hong Kong from 2023 to 2025. In 2023, InvestHK assisted 382 companies (including four from the Middle East) to set up or expand their business in Hong Kong, representing an increase of 27 per cent over 2022. InvestHK will continue to strive to attract Mainland and overseas (including the Middle East) enterprises to invest in Hong Kong so as to achieve the performance indicator.

Regarding FOs, the Government's target is to facilitate no less than 200 FOs from any region to establish or expand their business in Hong Kong by

end-2025. The dedicated team is confident in attaining the target. In 2023, the dedicated team conducted over 150 diversified investment promotion activities (e.g. roundtables, seminars, conferences, media interviews and external visits) in Hong Kong, the Mainland and overseas (including Southeast Asia, the Middle East, Europe, the Americas and Australia) to promote to target client groups Hong Kong's competitiveness and unique advantages as a F0 hub through face-to-face interactions. It has established offices in Beijing, Brussels, Dubai and Singapore, and plans to deploy additional manpower in the Mainland (e.g. in Shanghai) to tell the good story of Hong Kong and showcase Hong Kong's competitiveness as a F0 hub. In collaboration with the Economic and Trade Offices around the world, the dedicated team will also host roundtable forums in major cities under the theme of F0s.

The dedicated team comprises 17 posts, including one global head, one deputy global head, six senior vice presidents, two vice presidents, one senior executive manager, and six Mainland or overseas regional heads. Among the regional heads, the Head of Middle East is responsible for F0-related matters in the Middle East, and works with the investment promotion team of the Hong Kong Economic and Trade Office in Dubai to attract F0s in the Middle East to establish their operations in Hong Kong. The Government currently has no plan to set up a reward system for introducing F0s to Hong Kong.