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Li Ka-shing’s China Clash Unnerves Rich Investors in Hong Kong

Bloomberg, by Diana Li
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Li Ka-shing’s strained relationship with Beijing has sent a clear reminder to Hong Kong’s tycoons and global investors eyeing the city as a wealth hub: never downplay geopolitics.

China’s move to amplify criticism of the billionaire’s blockbuster ports deal with BlackRock Inc. and probe the transaction for antitrust violations has drawn the attention of rich investors and their advisers.

Some families are waiting to see what happens in the near term before committing to large projects and investments, said Jean-Sebastien Jacquetin, managing partner of Cavendish Investment Corp., a Hong Kong-based multi family office serving wealthy families in Asia. More families are also choosing to diversify, open bank accounts elsewhere and move some of their assets to other jurisdictions like Singapore, he said.

“Hong Kong and Li Ka-shing are unfortunately caught in the middle of a trade war and when the US starts exerting pressure on China, some impact will be felt on Hong Kong,” Jacquetin said. Rich international clans may “reassess their expansion plans into coming to Hong Kong,” he said.

Beijing’s reaction to the deal — which would see Li’s flagship conglomerate sell dozens of ports to a consortium including the US asset manager — is stirring some unease just as Hong Kong steps up its efforts to court the global rich and as Hong Kong’s competition with other wealth hubs, such as Singapore and Dubai, heats up.

“The real shift is in how families hedge — not just market or interest rate risk — but also geopolitical exposure,” said Harry Yu, senior partner for trust and family office advisory at Fung Yu Trust Services (Hong Kong) Ltd., and honorary director at the Chinese University of Hong Kong’s Centre for Family Business. “While the CK Hutchison deal hasn’t sparked a wholesale shift away from Hong Kong, it has certainly reinforced an existing mindset: that geopolitical exposure needs to be managed just as thoughtfully as market risk.”

Still, any sustained easing of tensions following this week’s US-China trade truce may boost Hong Kong asset prices and convince investors to brush off concerns about the Li episode.

Hong Kong's government has been steadfast in its message that the city is a stable and predictable place to do business. Hong Kong's Financial Services and Treasury Secretary Christopher Hui said in a March interview with Bloomberg TV that the situation wouldn't dampen interest from family offices.

In interviews with ten family offices, Bloomberg News found reactions ranging from surprise that Li thought he could pull off the deal without China's approval, to acknowledgments that geopolitics is now impossible to ignore. Some also speculated the deal limbo will drag on, becoming a bargaining chip in China-US trade negotiations.

While investment decisions depend on many factors, Hong Kong's ongoing efforts to establish new ties, attract new capital, foster innovation and promote sustainability will ensure its continued relevance as a global family office hub, a spokesman for the Financial Services and the Treasury Bureau said in response to emailed questions.

Fading Influence

Known locally as 'Superman' for his investing prowess, Li has called Hong Kong home since his family fled to the city from mainland China in the 1940s. He built his fortune in areas including real estate, energy and infrastructure and was for a long time the city's richest person. Though once courted by Beijing for his business acumen and connections, his political influence has faded in recent years.

But it was his CK Hutchison Holdings Ltd.'s recent deal to offload ports — including two in Panama — that provoked the ire of Beijing. While work on the deal is still proceeding, the parties have already missed their initial target of nailing the Panama part of the sale by April 2.

While CK Hutchison is registered in the Cayman Islands and makes just 12% of its revenue from Hong Kong and the mainland, if the deal moves forward, it may complicate business in China for the family's next generation.

China has told state-owned firms to hold off on any new collaboration with businesses linked to Li and his family, people familiar with the matter said in March.

CK Asset Holdings Ltd. — the conglomerate's property arm now headed by Li's older son Victor, who is also the chairman of CK Hutchison — has one-fifth of its long-term rental investment property portfolio by area on the mainland, with China home to most of its land bank for property projects developed for sale.

His second son Richard's company, Pacific Century Group, is also exposed to China. Its insurance arm, FWD Group Holdings Ltd., has stated its ambition to expand into mainland China in previous financial documents, which would likely require partnerships with Chinese companies.

Wealth Hub

Hong Kong's government has set an ambitious target for wealth inflows: 200 new large family offices by the end of the year, on top of the 2,700 already in place. The number of family offices that have decided or intend to set up in Hong Kong is about 150, of which about one-quarter are from Europe and the US, according to government data released in early April.

There are various views on how the Li Ka-shing saga may impact Hong Kong's wealth push.

One Asian family office director, who asked to not to be named, said it may remind family offices that Hong Kong is a hub primarily serving mainland China and carries the inherent risk of intervention from Beijing, while Singapore remains a preferred choice for Southeast Asian families seeking transparency and political stability.

Others like Carman Chan, founder of Click Ventures, a Hong Kong and Singapore-based firm that manages her family's assets, believes it's "irrelevant" because a mature and sophisticated family office should have set-up diversified structures that separates their management teams with their investment entities in different jurisdictions.

While the matter has raised questions about investor sentiment for Hong Kong in the short term, the city remains an attractive wealth hub, said Hersh Oberoi, senior wealth adviser at Balfour Capital Group, a $400 million investment manager. The episode has heightened awareness of global instability and its potential impact, he said.

"The Li Ka-shing case is a sharp reminder that geopolitical perception is now financial reality," said Oberoi. "Family offices can no longer treat strategic investments — especially in infrastructure, tech, and data — as apolitical. The stakes are highest in sectors viewed as extensions of national power."