



*cutting through complexity*

Family matters

**Financing Family  
Business growth  
through individual  
investors**

COUNTRY COMMENTARY:  
**CHINA**

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# China

The relationship between HNWI and family businesses in China is quite positive, according to survey results. More than half of the HNWIs had previously invested in family businesses and all indicated that the experience had been positive.



One HNWI explained his family business investment experience led to others: "It was one of my first large investments in order to set up a new production plant and the business proved to give high returns, which has certainly influenced me to look at more family businesses as an investment opportunity."

Another, who has invested in family business before said: "It was a great experience as family business owners are very open and maintain a good relationship with all their contacts and never fail to give importance to their investors, which encourages more and more investments."

Seven out of 10 responses from HNWIs are in favor for investing with reasonable risk for a reasonable return and nine out of 10 indicated that they would not push for an exit because they are a patient investor. These responses align HNWIs with the preferences of the family businesses surveyed.

One such preference, as explained by a Shanghai-based CFO is for long-term, hands-off investment approach. "I would prefer to have investors who focus on long term benefits as our business still has to see a lot of development and success," he says. "They need to have trust in our decisions and should be willing to share ideas and knowledge when requested to facilitate growth in business which will also be a part of their returns in future."

Although none of the 10 family businesses surveyed have partnered with HNWIs in the past, they felt positive about the possibility of receiving funding from them. One Chinese family business CFO explains: "Of all investors around, I feel HNWIs have been exposed to family businesses at some time in their life which is an advantage as there could be quite a few instances where we could seek their advice or support and HNWIs would be more comfortable helping us out."

While HNWIs were not an obvious choice for the family businesses surveyed, three out of 10 said they would be willing to offer a board seat and five said they would be prepared for investors to offer advice and expertise. Two said they would prefer investors who are completely passive. The long-term, patient nature of HNWIs was a particular advantage for family businesses, as one CFO explains: "Long-term orientation towards investment returns would be the most important characteristic, considering our way of operations we have projects for longer time periods, so we also look forward to catering our investors' returns in the long-run with the completion of the project."

Family businesses in China are looking for funds to facilitate their expansion. On the other hand, HNWIs are looking for investment opportunities. There is huge investment potential for growth and success if these two parties can join in long-term business partnerships.

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