

## THE PEOPLE'S MONEY

# Hong Kong Scions Change Tack

Pro-Democracy Protests Highlight the Need for Hong Kong Tycoons to Adapt to a Changing Business Environment



By *Wei Gu*

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Hong Kong's tycoons are trying to keep a low profile as the protests simmer, fearful of annoying either Beijing or some city residents.

Over the long term, they need to adapt to a changed business environment in which the city's historic goals of economic development and efficiency are no longer unquestioned priorities.

The change may come from the third generation of tycoon families, who are in their 20s and 30s and were educated abroad. "We need to help young people to achieve social mobility," Adrian Cheng, the 34-year-old co-chief executive of New World Development Co. [NDVLY 2.46% ▲](#) and a grandson of billionaire Cheng Yu-tung, said via email.

The Cheng family, which owns the Chow Tai Fook jewelry chain and a major bus company, and develops real estate, is worth \$15.5 billion, according to Forbes. Adrian Cheng, a well-known art collector, has taken on increasing responsibility in recent years.

He said Hong Kong, with its strong legal system, low taxes and light regulation, should be an innovation hub full of entrepreneurs. That requires funding, sharing of expertise and cheap rent, he added.

**'The tycoons may have done a lot of work into philanthropy, but they didn't give up their principle of maximizing profit.'**

—Kevin Au, director of Center for Entrepreneurship at the Chinese University of Hong Kong

The city isn't full of startups but instead is dominated by giant conglomerates controlled by families like Mr. Cheng's. Critics put some of the blame on real-estate developers like New World that charge some of the highest rents in the world.

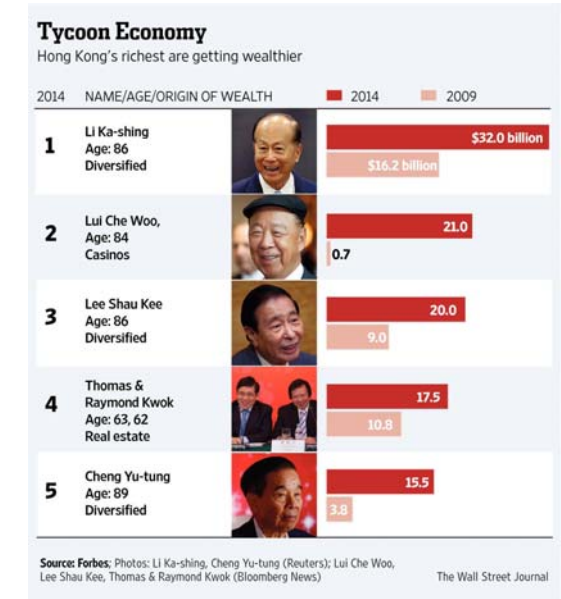
"The tycoons need to provide many different channels that allow the younger generation to climb the ladder," said Kevin Au, director of the Center for Entrepreneurship at the Chinese University of Hong Kong.

Lack of social mobility is a big problem. The same entrepreneurs have dominated Hong Kong's billionaire list in the past decade and have gotten richer over that period. Mr. Cheng's grandfather's fortune quadrupled since 2009, according to Forbes.

Average starting salaries for university graduates in Hong Kong have risen just 1% a year over the past 17 years, according to the Hong Kong government's University Grants Committee.

That’s a decline in inflation-adjusted terms and a grim figure when the city’s soaring housing prices are taken into account.

Many of these tycoon families have been big donors, funding things like hospitals and schools in the city. But that hasn’t solved the city’s problems or won them praise from the public, in part because they are still seen as trying to squeeze profits from the city.



“The tycoons may have done a lot of work into philanthropy, but they didn’t give up their principle of maximizing profit,” Mr. Au said.

Li Ka-shing, Asia’s richest man, has given away a ton of money. Since 1980, the Li Ka-shing foundation has donated more than 15 billion Hong Kong dollars (US\$1.93 billion) to support health care and education, with about 90% of the projects in Hong Kong and mainland China. Still, dock workers who surrounded his office last year to protest their pay got sympathy from many people.

Stepping aside helps, but few Asian entrepreneurs appear willing or able to follow examples like Bill Gates, who retired at 52 to focus on giving away his money effectively. At age 86, Mr. Li still attends his flagship company Hutchison Whampoa’s earnings news conferences. Mr. Li couldn’t be reached for comment.

“Hong Kong’s businesses need to do some serious soul-searching,” said Brian Fong, assistant professor at the Hong Kong Institute of Education.

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Mr. Cheng is focusing his efforts on young people and art. He initiated a program for Hong Kong graduates to build careers in mainland China. The “New Youth New World” program has sent 1,500 Hong Kong university students for summer internships in China in the past eight years.

His K11 branded real-estate developments offer free space for college students and emerging artists to show their work in its Hong Kong shopping mall, and in China the company offers lower rents for entrepreneurs in creative industries.

Mr. Cheng’s approach fits with the third generation of tycoon families who tend to be less involved in politics and more aware of how charity has been used to have a social impact and to boost the company’s reputation. This generation is less likely to build hospitals and university towers that bear their names and more likely to support more community-level projects and those that benefit young people.

Both the Hong Kong government and Beijing are taking the protesters seriously, and both realize there is an economic undercurrent to the pro-democracy push. Hong Kong’s rich families have a stake in solving the long-term issues driving the protests.

The protests themselves have hit the tycoons. Some of Mr. Cheng’s family’s jewelry stores were closed because of the protests and sales were down overall. The family’s bus firm is losing riders because of road closures.

“If they can’t bring more fairness to the system, political instability will become the new norm,”



Bus companies in Hong Kong are losing riders because of pro-democracy protests in the city, which have shut off some roads for more than a month.. EUROPEAN PRESSPHOTO AGENCY

Mr. Fong said. “That’s going to be a big problem for the businesses.”

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