



註冊財務策劃師協會

**Society of Registered Financial Planners**

**“HONG KONG UNDERGRADUATE FINANCIAL PLANNERS  
OF THE YEAR AWARD 2014”**

**(香港傑出大學生財務策劃師比賽)**

**Case Study**

Note: Your report must be written in English and no more than 15 single-sided, single-spaced pages (font size: 12-point Times New Roman), including cover pages, tables, charts, diagrams, references and appendices. Please submit the electronic file of your excel spreadsheets, if any, with your report.

**TO BE OR NOT TO BE.....AN IMMIGRANT, AND WHERE,  
THAT IS THE QUESTION**

*This is a case study covering a fairly broad area of considerations. The character in this specific example, believe it or not, does exist, and in many. Although he is a mainland Chinese, the case well signifies people in different regions who, like some parents of yours, have to make the tough decision in migrating overseas for economic, political or ideological reasons. You, as a qualified financial planner for a client, therefore must put in mind that something matters beyond money consideration.*

Mr. Chen Da Min, now 54, is a conservative, prudent, and successful manufacturer operating a sizable factory in Dongguan. In the boom years when OEM businesses were prospering in the PRC, he has been able to accumulate quite a wealth and even at hard present of now when wages go up, workers are difficult to allocate, and environmental regulations are tough, he stays put to maintain reasonable living standard and in certain sense is able to retire at any time. But he has a wife, parents, and two kids. His wife, Xia Hon, 40, has always been a housewife and was educated to primary only. The elder boy, Bin, is 10 years old, and his younger sister, San, is 9, both are going to private primary schools at Dongguan. Mr. Chen has experienced a lot of the goodies in living overseas, and he likes Hong Kong and Australia. Through a relative of his, who said that you are a good financial planner, Mr. Chen comes to discuss with you about immigration to Hong Kong, or Australia, and you have to give him a definite answer, of course, which should come with a formal portfolio.

The data you collected from Mr. Chen, who is the sole owner of the asset, is as follows :

- Factory – estimated at RMB6,800,000.
- House – estimated at RMB4,500,000
- Apartment – Dongguan, estimated at RMB1,300,000  
(rented out at RMB5,400 a month)
- TKO of Kowloon, estimated at HK\$4,500,000  
(rented out at HK\$18,000 a month) \* (taxable)
- Cars – two cars, present value estimated at RMB400,000
- Stock –工商銀行 120,000 shares  
中國神華 40,000 shares  
青島啤酒 50,000 shares  
Miscellaneous high risk A shares of present value (August 31, 2014) RMB1,800,000  
i.e. at 上證指數 2217.
- Commodities – 25 gold bars at 10 taels each
- Machinery & Equipment – estimated residual value at RMB2,500,000, i.e. After years of run down, the machinery & equipment have already been written off.

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- On-going Business – This is a domestic limited company. The tax rate is 25% and the net profit after tax in 2013 was RMB2,560,000, decreasing at 18% annually. If he has to fold the business, it is projected that the severance payment will be around RMB1,250,000.
- Cash in China – RMB250,000
- Cash in Hong Kong – HK\$3,000,000. Annual renewable term deposit.

Mr. Chen keeps a low profile lifestyle. His expenses are mainly for family purposes :

- 2 maids @RMB2,500 each per month.
- Children education @RMB6,800 per month average
- Living expenses inclusive meals and sundries @RMB6,000 per month average
- Entertainment expenses @RMB24,000 per month average
- Wife expenditure allowance @RMB10,000 per month average
- Gas, utilities, water, etc. @RMB5,500 per month average
- Family vacation in golden weeks 3 times a year @RMB85,000 per trip average
- Medical expenses on average per year comes to RMB40,000 per year
- Mr. Chen's parents are 70 and 68. All family members are healthy, no chronic illnesses.

Mr. Chen barely finished secondary school, yet he is quite conversant in English. With this profile background he will never be admitted as a professional for overseas immigration screening.

As such, in case he has to immigrate to Hong Kong he must fit into the investment immigrant category, and has to conform to regulations enforced by the Hong Kong Immigration Department. If that is the choice, he may still choose to maintain his citizenship in China while his family members are able to become permanent residence in the Hong Kong SAR after seven years.

The other choice is to immigrate to Australia, but then an obstacle is that he has to stay at least 160 days in a four years term. And of course, he has only one choice to go Australia, be an investor immigrant.

As his advisor, true heartedly and professionally, what you would suggest. Items under consideration which may lead you to a conclusive portfolio are listed as follows :

1. The public education system in China is flawed, and private schooling is getting very expensive on the way. So are medical expenses. Worst of all, the ecological environment is deteriorating fast, polluted air, shortage of clean water, fake foods, pirated medicines. Adding salt to the wound, the social moral system is on the brink of collapsing, there seems to be less trust, less prudence, less tolerance among people. Something money just cannot buy : Health, the Feel of Safety, Social Prudence, and others...

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2. On the other hand, China seems to have a bright future. The Central Government is correcting the mismanaged issues inherited in the Great Economic Reform, a historic leap never accomplished by any country. Billions of RMB will be pumped into cleaning up the environment, and uprooted effort is enforced across the country for society harmony. China is the only country in the world that maintains a GDP growth of above 7% in coming decade. Economy seems to stay robust and China has to be the most powerful country on earth next to or in par with the USA. Opportunities are abundant, and the country is moving slowly on track in the right direction.
3. The route to be qualified for immigration to Hong Kong is not straight forward. There is a need to have a third country permanent residence status, also the costs in application. Check.
4. Many may miss the issue on taxation. Try to compare the taxation system among China, Hong Kong SAR, and Australia, especially on income tax, import and export tax, VAT, and estate taxation (beware...!)
5. In either case of immigration to Hong Kong or to Australia, the potential immigrant has to put up real cash for investing into recognized funds set up in either region. It is important as a financial advisor to consider Mr. Chen's needs and the risks involved with these funds. It is highly recommended, if Mr. Chen has to migrate, that you have to choose with reasons for selection at least 4 funds in the region you proposed.
6. Take note that when Mr. Chen has to migrate, his family has to live and they spend. Their house at Dongguan is 3-storey total 320 square meters with a garden. Do not expect them to live in a 400 square feet apartment in Hong Kong in a lousy district. An apartment of at least 1200 square feet with a bit of view is expected. And beware of living expenses in either region.
7. If it is better for him to stay in China, you better come up with a good story. The kids inclusive Mrs. Chen are looking forward to living in either Hong Kong or Australia. And especially for Mr. Chen, he is tired of the entertainment and work. He wants to live quietly and happily forever and ever..... doesn't every one of us too?
8. The big question, that if up to now you have not thought of but should have, is what insurance planning you would recommend to him, independent of where he is going to.
9. There is a currency issue at stake too. Consider the Australian dollar, and RMB, which one will be a strong currency. Hong Kong is pegged to the US Dollar, so no argument there.
10. This is a very challenging assignment because now you have to look over your shoulders on what really happens in the world. Hong Kong has always been a very special place because we do not have a complicated taxation system, it is a free port with a sound strong legal system. No matter how you view politics, we should be proud of what Hong Kong has accomplished in the past years, starting from scratch as a small no-resources island. Make the best out of it.

Designed by : Dr. Sidney Sze.

Assisted by : Mr. Bill Fung