// By Drew Bernstein, CPA

THE LUCKIEST CITY STATE ON EARTH

With attractive tax incentives, business-friendly regulations, and an enviable location, some are calling Singapore the "Hong Kong of the Future"

Global investors have long seen Hong Kong as a glowing portal into Asia's limitless opportunities. The "Fragrant Harbour" has traditionally been the financial center of Asia, thanks to its favorable business environment, a well-developed legal system, and a commitment to free market principles — not to mention the outstanding Dim Sum.

But here's the thing: The future of Asian investing isn't in Hong Kong, it's in Singapore.

The Singapore government recently announced it's investing $150 million in research and development of space capabilities for key industrial sectors to maintain its position as a research hub in emerging technologies. That's the kind of deep technology

thinking that draws attention from the global investment community.

It's said that it's better to be lucky than smart. The thing about Singapore is that they have been both. They have been the primary beneficiaries of China's crackdown on the excesses of private enterprise and Hong Kong's deeper integration with the PRC's legal and financial system. But they have also quite consciously worked to become a magnet for money and talent, seeking a safe port from the gyrations of Chinese policy.

And wealth is flooding in from mainland China. As recently reported by the *Financial Times*, the number of Rolls-Royce cars registered in Singapore remains at record levels, and the new buyers are "overwhelmingly" Chinese. This aligns with an influx of people moving to Singapore overall: According to the Singapore Department of Statistics, the total population grew by more than 3 percent from last year, many of these newcomers being made up of expatriates tiring of the strict COVID protocols and restrictions on free speech in Hong Kong or Chinese looking for a safer base to operate multi-national businesses.

Over the past decade, due to a comprehensive suite of economic policies, a liberal approach to business and taxation, and a more attractive environment for entrepreneurs and investors alike, Singapore has emerged as the region's definitive financial hub, recently overtaking Hong Kong to become Asia's top financial center — and the third in the world behind New York and London, per the Global Financial Centres Index 32.

Hong Kong slipped to fourth place, struggling to revive its role as a global finance hub while attempting to follow China's lead in keeping COVID cases to a minimum despite the rest of the world opening up. In a somewhat frantic attempt to preserve China's connection with the international markets, a "Hello Hong Kong" promotion campaign worth HK$100 million (US$12.75 million) was recently launched to attract businessmen, investors, and tourists from around the world back to "the world's freest economy."

As Hong Kong becomes increasingly integrated into mainland China, though, it may no longer be a reliable or safe jurisdiction for storing wealth. With growing political and economic uncertainty across the region, investors must take extra precautions when deciding where to park their money. Storing wealth in stable offshore jurisdictions like Singapore, with strong legal protection of assets, might be a better choice for those looking to preserve their funds and protect them from unforeseen risks.

Relatedly, increasing Geopolitical tension between the United States and China has led companies to rethink their presence in Hong Kong to prevent the perception of being "a Chinese company." Chinese companies with global ambitions, like fast-fashion giant Shein, are rebranding their companies and even changing the citizenship of top management to Singapore to provide easier access to global capital markets and reduce the risk of getting caught up in trade disputes.

A decision to side with Singapore is made easy by the nation-state's business-friendly environment, pro-enterprise policies, and robust infrastructure. Indeed, few western companies are currently listed in Hong Kong, and those that remain are thinly traded. 2023 will likely test whether the territory can remain dispassionately international or slip further under the thumb of Beijing. (Over 200,000 Hongkongers left the city between mid-2020 and last summer.)

All the while, Southeast Asia's emergence as a major economic force has been nothing short of remarkable and cannot be ignored. In the last few decades, the region has seen rapid growth in both its GDP and trade figures, making it one of the most dynamic and competitive economies in the world. The impressive performance can be largely attributed to Southeast Asia's commitment to open markets and free trade, as well as its willingness to embrace new technologies and business models. Countries like Singapore are becoming increasingly attractive destinations for foreign businesses seeking a foothold in the region.

To wit: **Alberta Investment Management Corp.,** the Canadian $129 billion investment manager, is looking at Singapore rather than Hong Kong for its first office in Asia as it plots an international expansion of its private equity group.

Without a doubt, Singapore has quickly established itself as a top rival in the Asian financial center market. The city-state has advantages that make it more attractive than Hong Kong, such as its political neutrality and low tax rates. While Singapore was traditionally seen as a safe haven for banking services, it has now developed a robust financial ecosystem with well-developed infrastructure, deep capital markets, and a strong talent pool. Singapore is also an attractive destination for foreign investors due to its commitment to regulatory certainty and transparent legal system.

WHAT DOES THIS MEAN FOR US INVESTORS?

Keep an eye out for new listings from Southeast Asia. So far, there have only been a handful of companies from Southeast Asia that have listed in the U.S., including **Sea Limited**, a tech conglomerate headquartered in Singapore; **Grab**, Southeast Asia's leading super-app providing everyday services; and **PropertyGuru Group**, Southeast Asia's #1 digital property marketplace. In 2023 and beyond, investors should expect a stream of new listings coming to U.S. markets, either through IPO or SPAC mergers, in sectors spanning technology, consumer, biotech, financial services, resources, and many others. As more of these names come to the U.S. markets, Southeast Asia will increasingly become an investable asset class rather than a handful of names for US retail and institutional investors.

Consider Singapore to be now a major fundraising stop for companies and private equity funds looking to raise capital. Singapore currently has about 700 family offices, up from 400 in end-2020 and up sevenfold from 2017, according to government estimates. As such, the city-state will be as (or more) reliable than Hong Kong as a go-to stop for reliable fundraising efforts.

Expect Singapore and Southeast Asia overall to be the new venture and private equity investment hub for a region spanning from The Philippines to India. There are now dozens of sizable venture and private equity funds based out of Singapore that span from seed financing through Series D and even venture debt. Companies can now access the full capital stack in Singapore without having to tap Silicon Valley or China-based funds, many of whom are setting up branch offices in Singapore.

Welcome to your new headquarters. Increasingly, companies from many parts of the region, including India and Indonesia, will establish corporate headquarters in Singapore rather than Hong Kong because it provides greater flexibility for international capital raising and enables them to take advantage of Singapore's zero capital gains tax regime, strict and established rule of law, and well trained and diverse professionals. Whether you are transacting in the US, China, UK, EU, India, Cambodia, or beyond, you will find Singapore based lawyers and accountants who will be able to provide the proper experience to be compliant.

Oh, and by the way, Singapore has some pretty great Dim Sum, too…

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In 1983, Drew Bernstein co-founded Bernstein & Pinchuk. Additionally, he co-founded MarcumBP, which is a member of the Marcum Group and an affiliate of Marcum LLP. a leading U.S. accounting and advisory firm. Both firms have multiple offices within the United States and Asia.

Bernstein is a distinguished expert with deep knowledge of the China and U.S. financial ecosystem with experience extending across Asia. Europe and Africa. Industry experience encompasses technology. retai l. manufacturing, hospitality, pharmaceutical and real estate. Bernstein directs a global team, featuring highly trained PCAOB and SEC accounting experts and financial consultants working in New York as well as Beijing. Tianjin. Shanghai. Shenzhen. Hangzhou. and Guangzhou.

Additionally, Bernstein is considered a valuable thought leader and news commentator. He has published articles for Forbes.com and China Daily and is a frequently called upon source by prominent media such as China Global Television Network. CNBC. Bloomberg TV. The Financial Times. The South Chino Morning Post. The Wall Street Journal. Yahoo! Finance. and more regarding Chinese IPOs. China'S economic growth. investment appetite, innovation trends, corporate governance, SEC regulations and more.

Bernstein graduated from the University of Maryland with a B.S. in Accounting. Currently, he resides in New York City with his wife and children.

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The dedicated SPAC team has worked with SPAC sponsors, underwriters, and targets. MBP draws on wide-ranging experience with the initial publiC offerings and subsequent business transactions forged by such companies. MBP has designed its audit platform to deliver the technical expertise. efficiency. and urgency required by SPAC IPOs. This includes high-quality. PCAOB-compliant audits for private Asian companies that are contemplating entering a SPAC merger.

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