Coutts Million Dollar Donors Report 2014

CHINA FINDINGS

Major philanthropy in China is based on its cultural heritage and donors are becoming increasingly open about their giving.

Number of million dollar donations

24% gifted by individuals 4% gifted by foundations

72% gifted by corporations

1. Introduction

Million dollar donations more than doubled in 2013.

Million dollar donations in 2013 were worth more than twice those of 2012, mainly because of a very large donation of \$1.39bn made by one corporation. In fact, donations by corporations and corporate foundations dominated in 2013, as in the previous year. They increased their share of both the number and value of million dollar donations, while individual donations fell from 2012 levels.

Foundations, higher education and government were the main recipients of million dollar donations. The ultimate benefit of these 'banked' donations will be felt in later years, rather than in the year of their making. Most recipients received only one donation, although earthquake-stricken areas in Ya'an in Sichuan province attracted a large number of donations.

Unusually, compared to other regions in the report, the highest concentration of donors was not in the metropolitan areas, but in the Southern and Eastern regions. The Northern region, which includes Beijing, also produced a substantial share of the total.

2. Number and total

One gift alone in 2013 was worth more than the entire amount of 2012's mega-gifts.

A total of 208 donations worth one million dollars or more were identified in China in 2013, with a combined value of \$2.65bn. In 2012, the equivalent figure was \$1.175bn.

3. Average size

Mean and median figures were higher in 2013 because of one especially large donation.

The average (mean) size of million dollar donations in 2013 was \$12.73m. The median (the middle value when all are placed in ascending order) was \$3.13m and the mode (the most frequent value) was around \$1.64m. This latter figure is probably explained by the fact that \$1.64m is equivalent to approximately RMB10m, which would be a natural psychological threshold for high net worth giving in China. Both the mean and median value of million dollar IN ASSOCIATION WITH THE INSTITUTE OF FAMILY BUSINESS, ZHEJIANG UNIVERSITY

donations in 2013 were significantly higher than in 2012. The 2013 mean in particular was influenced by one very large gift of \$1.39bn.

MEAN	MEDIAN	MODE
\$12.73m	\$3.13m	\$1.64m
in 2013	in 2013	in 2013
\$5.7m	\$1.8m	\$1.6m
in 2012	in 2012	in 2012

4. Value

One gift alone accounted for nearly half of the value of all million dollar donations in 2013.

By far the largest donation was the \$1.39bn gift made by HNA Group, which comprised nearly half the total amount of million dollar gifts last year. HNA Group, founded in January 2000, offers services in air transportation, real estate, retailing, financial services, tourism and logistics.

The effects of the gift will not be felt immediately, as it is in the form of a pledge to a foundation made over time. Specifically, 20% of the Group's stock was donated to Hainan <u>Liberation Commonwealth Foundation</u>, a foundation set up by HNA Group in 2010. Its assets are to be used mainly for activities such as disaster relief, poverty alleviation, charitable relief and public welfare activities.

The other donation worth over \$100m was also 'banked' in a foundation rather than given directly to charities.

Some 40% of million dollar donations in China in 2013 were valued between \$1m and \$2m. Over half were worth \$2m or more, including 11% that were worth \$10m and above.

VALUE OF DONATIONS

84 gifts of less than \$2 million (40%)

101 gifts of between \$2 million and \$9.9 million (49%)

21 gifts of between \$10 million and \$99 million (10%)

2 gifts of over \$100 million (1%)

5. Source

Corporations and corporate foundations led the field in 2013, providing nearly three-quarters of million dollar donations.

As in 2012, corporations and corporate foundations provided the largest proportion of million dollar gifts: 72% of the total number and 85% of the total value. But while they increased their share of million dollar gifts from 2012, the share of donations from individuals fell. These dropped from 41% of all million dollar gifts to only 24% in 2013. It is worth pointing out that many successful entrepreneurs in China choose to channel their giving through a corporate foundation rather than through a private foundation. So while this would not explain the entirety of the significant year-on-year drop in individual donations, it does mean that philanthropy by individuals goes beyond the 'individuals' category as some corporations and corporate foundations are used as vehicles for private giving.

Foundations contributed only nine gifts worth a million dollars or more in 2013. The main reason probably lies in the relative youth of Chinese private foundations, which were only formalised in 2004. So far, Chinese foundations have tended to function as operating foundations running their own programmes, rather than as providers of major grants.

Most donors (151 or 85% of the total number of donors) made only one million dollar donation in 2013, though 21 made two and five (all corporate donors) made three.

Foundations Individuals Corporations

\$63.24m \$343.16m \$2.24bn

2% of total value in 2013 13% of total value in 2013 85% of total value in 2013

6. Location

Million dollar donors were scattered throughout China, though most were concentrated in the Southern and Eastern regions. A substantial proportion of mega-gifts also came from overseas.

Pinpointing the location of million dollar donors in China can be difficult, as companies and wealthy individuals often have several addresses. However, using what we believed to be the primary address for each donor, we found the highest concentration of million dollar donors in the Southern and Eastern regions (using the definition of regions by China's Ministry for Civil Affairs^[11]). Some 31% of million dollar gifts originated in the South and 30% in the East, comprising 63% and 16% respectively of the total value of gifts. The Southern region includes Hainan, where HNA Group is located, which explains why this region represents such a high proportion of the total value.

Donors from the Northern region of China provided 13% of the total number of gifts, worth 4% of the total value, with most either resident or headquartered in Beijing. Donors from overseas provided 11% of gifts and 4% of their total value.

^[1] The regions referred to are as defined by the Ministry of Civil Affairs of the People's Republic of China. See http://map.dmw.gov.cn/html1.html for more detail. Special administrative regions are defined as 'overseas' for the purpose of this report

LOCATION OF DONORS BY VALUE OF GIFTS

South - 63%

East - 16%

Northwest – 7%

North -4%

Overseas – 4%

Northeast - 3%

Central – 2%

Southwest - 1%

7. Recipients

While most organisations and causes received only a single million dollar gift, the earthquake-hit province of Sichuan received 38.

A total of 90 organisations received 2013's million dollar donations. The vast majority (66 or 73%) were given a single donation of a million dollars or more, although there were some that received several. Notable among these was the earthquake-stricken area in Ya'an city in South West China's Sichuan Province, which received 38 separate million dollar gifts in response to a 7.0-magnitude earthquake.

The recipients of million dollar donations were fairly evenly distributed across all regions of China. Some 31% of the total number (and a striking 64% of the total value because of HNA Group's mega-gift) went to the Southern region. Around 20% (12% of the value) were directed to the Eastern region and 21% (only 4% of the value) of gifts were given to the South-Western region, with the vast majority of these going to the earthquake-affected city of Ya'an. In contrast to 2012, when all donations went to organisations within China, four donations went overseas in 2013.

90 total recipients in 2013

8. Distribution

Many donors invest for the future, as nearly three-quarters of million dollar donations in 2013 went to foundations.

Giving to foundations dominated 2013's million dollar donations, claiming almost 72% of the total value – a proportion influenced by HNA Group's exceedingly large gift.

Higher education was the second most popular beneficiary, with these institutions receiving almost 10% of the total value of identified gifts. The average value of each of these gifts was \$8.02m.

The next most popular category was government (in the form of government-administered charities, of which there are still many in China). These government-administered charities cover many themes, including poverty alleviation in particular regions, post-disaster reconstruction and schools. Together, these three sets of recipients received nearly 90% of the value of all gifts in 2013.

Next on the list was 'various'; this category of recipients was unusually large for China in 2013 as it included donations to disaster relief. The fifth-largest sub-sector by total value of gifts received was health, with these organisations receiving 1.5% of the total value of million dollar gifts. All other types of charity each received less than 1% of the total value.

Total \$2.65bn 208 donations of \$1m+

Foundations \$1.90bn

55 donations of \$1m+

Higher education \$264.59m

33 donations of \$1m+

Government \$207.15m

42 donations of \$1m+

Various \$198.13m

62 donations of \$1m+

Health \$39.69m

7 donations of \$1m+

Overseas \$25.64m

4 donations of \$1m+

Education (not universities) \$13.12m

3 donations of \$1m+

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Public & societal benefit \$2.95m

2 donations of \$1m+

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