



Press Release

## Companies plan Greater Bay Area expansion to tap into growth prospects, finds joint KPMG, HSBC and HKGCC survey

*Fifty-two percent of surveyed executives plan to expand geographically into the GBA by 2022*

*Four-fifths expect the GBA economy to grow faster than rest of mainland China within next 3 years*

**20 January 2020, Hong Kong** – Confidence in the Greater Bay Area (GBA) stands out, with over half (52%) of business executives indicating plans to expand geographically into this region by 2022, according to a joint survey by KPMG, HSBC and the Hong Kong General Chamber of Commerce (HKGCC).

The survey, titled “*Keys to success in the Greater Bay Area*”, is the third annual report on the region and includes responses from 747 business executives in mainland China, Hong Kong and Macau, across a wide range of industries.

Gaining access to the GBA market of more than 71 million is a key motivation for companies to invest in the region, cited by almost three quarters (73 percent) of executives. Other attractions include getting closer to business partners/customers, access to talent, lower costs and better transport infrastructure. Four fifths of executives polled expect the GBA’s economy to grow faster than the rest of mainland China within the next three years, while almost six in 10 (56 percent) of respondents expect their revenue in the GBA to rise by at least 20 percent within the next three years.

Ayesha Lau, Managing Partner, Hong Kong, KPMG China, says: “To fully capitalise on the opportunities the GBA offers, it is important that businesses put in place the right strategy and adopt a GBA mindset. This involves factoring in the increased connectivity and flow of goods, services, talent and information, and embracing the region holistically. It is tantamount to economic globalisation at a local level,” she says.

In terms of sector highlights, technology and innovation is seen most likely to benefit from the GBA, according to 56 percent of overall respondents, a view shared by 79 percent of executives from the technology and innovation sector. More than half (53 percent) predict at least a 30 percent increase in their business revenue in the region over the next three years.

Terence Chiu, Head of Commercial Banking, Hong Kong, HSBC, notes there are opportunities for different businesses as the region expands and disposable income grows. “The scale of the Greater Bay Area initiatives, the increased connectivity and the region’s growing population will create opportunities for different sized companies across a range of sectors such as technology and innovation, trade and logistics. The clustering of talents, capital and industries will drive high value-added productions and business developments. HSBC has set up dedicated client coverage teams for specific sectors to support their business needs, and help them thrive across the GBA.”



Financial services is considered the second major beneficiary, with 42 percent of respondents believing it will benefit the most from the GBA. They have ambitious investment plans for the region, with almost four fifths (78 percent) of executives anticipating spending more than HKD 10 million on their top ranked GBA priority (marketing/brand building). The development of the GBA will also generate opportunities for financial services companies offering green finance, with nearly half (47 percent) of executives across all sectors polled indicating they would consider sustainable finance to fund their GBA expansion.

The trade and logistics sector completes the top three industries expected to benefit most from the initiative, cited by more than a third (35 percent) of respondents overall.

Talent meanwhile plays a key role in companies' GBA investment plans, while improved transport infrastructure as well as reforms to tax and work permit requirements have helped enhance labour mobility.

Maggie Lee, Partner, Audit, Head of Capital Markets Development, Hong Kong, KPMG China, says: "Companies need to invest, but they need to invest smartly. They need to have a strategy and a goal. Talent is at the heart of companies' investment plans, and recent reforms have overcome key hurdles to labour mobility and laid the foundation for an integrated labour market."

Despite the significant long-term potential of the GBA, survey respondents highlighted a number of challenges to realise growth. For example, almost three quarters of executives (73 percent) cite policy or regulatory ambiguity, uncertainty and unfamiliarity to be the most significant risk to their GBA business plans, up from 68 percent in 2018.

Pang-chun Yu, Convenor of the GBA Working Group, HKGCC, concludes: "Despite the regulatory differences that still exist, we urge companies not to delay entering the GBA market. Instead, they should proactively identify the key tax policies and incentives that impact their industry, as well as look at the key development priorities of each city within the GBA, so that they can select the one that best fits their profile."

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### **About the survey**

For this report, KPMG China, HSBC and HKGCC commissioned YouGov to conduct a survey of 747 business executives in mainland China, Hong Kong and Macau. Almost two thirds (64 percent) of respondents identified as either C-suite or senior management.

The survey was conducted from July to September 2019. Some 496 respondents (66 percent) are from companies whose principal base of operation is in Hong Kong; 13 (2 percent) are from Macau; 57 (8 percent) from Shenzhen; 34 (5 percent) from Guangzhou; 41 (5 percent) from other GBA cities in mainland China; and 106 (14 percent) from outside the GBA in mainland China.

The business executives are from a wide range of industries, including 185 companies from financial services, 98 from professional services, 89 from manufacturing, 85 from trade and



logistics, 57 from technology and innovation, 50 from real estate, 32 from healthcare/life sciences, and 32 from retail.

Among the respondents who disclosed the turnover of their companies, 224 work for companies with annual revenues of more than USD 100 million, and 163 work for companies with annual revenues of between USD 10 million and USD 100 million. The rest work for companies with revenues of between USD 2 million and USD 10 million (108) and USD 2 million or less (83).

### **About KPMG China**

KPMG member firms and its affiliates operating in mainland China, Hong Kong and Macau are collectively referred to as “KPMG China”. KPMG China is based in 23 offices across 21 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi’an, Zheng Zhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG’s appointment for multi-disciplinary services (including audit, tax and advisory) by some of China’s most prestigious companies.

### **About The Hongkong and Shanghai Banking Corporation Limited**

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group, which serves our customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. HSBC serves customers worldwide from offices in 65 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of USD2,728bn at 30 September 2019, HSBC is one of the world’s largest banking and financial services organisations.

### **About Hong Kong General Chamber of Commerce**

Established in 1861, the Hong Kong General Chamber of Commerce is the oldest and most broadly representative business organization in the city. The Chamber is the voice of business in Hong Kong with a strong corporate membership, covering more than half of the Hang Seng Index’s flagship corporations and about one-fifth of Fortune Global 500 companies. Together, Chamber members employ about one-third of the workforce in Hong Kong.

For the past 158 years, the Chamber has grown together with Hong Kong. Its mission is to promote, represent and safeguard the interests of the business community in the city. At the



same time, the Chamber also provides support, networks, training and business services to help companies grow and prosper.

Through its advocacy work, the Chamber lobbies governments, legislators, policymakers, public bodies and other organizations to make it easier for the business community to do business. The Chamber has representatives on more than 40 Government and non-Government advisory boards, as well as the SAR's Executive Council and Legislative Council, plus the CPPCC Standing Committee of the PRC.

Every year, the Chamber organizes more than 500 events. These range from networking cocktails, seminars, training programmes and policy discussion sessions to meetings with delegations from around the world. It arranges visits to companies and Government facilities in Hong Kong, as well as missions to the Mainland and overseas. The Chamber also provides a wide range of services, from business document services and conference room rental to events management and advertising.'