



HSBC

*Survey on Local Enterprises' Expansion Plans in the
China Domestic Market
March 2010*



香港大學民意研究計劃
The University of Hong Kong
Public Opinion Programme

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Research Background and Objectives

- This survey was commissioned by The Hongkong and Shanghai Banking Corporation Limited (HSBC).
- The key objective is to collect information on local enterprises' engagement in the China Domestic Market (CDM), including their plans to enter, expand and invest in this market.
- The survey questionnaire was designed by the University of Hong Kong Public Opinion Programme (HKU POP) after consulting HSBC. Fieldwork and data analysis were conducted independently by HKU POP.

Contact Information

Date of survey: 18 January – 26 February, 2010

Target population: Local enterprises

Survey method: Random telephone interview by real interviewers, with the employers or representatives who were in the position to make business decision in the target companies and spoke Cantonese

Sample size: 1,005 successful cases

Response rate: 62.2%

Sampling error: Less than +/-3.2% at a 95% confidence interval



Survey Findings

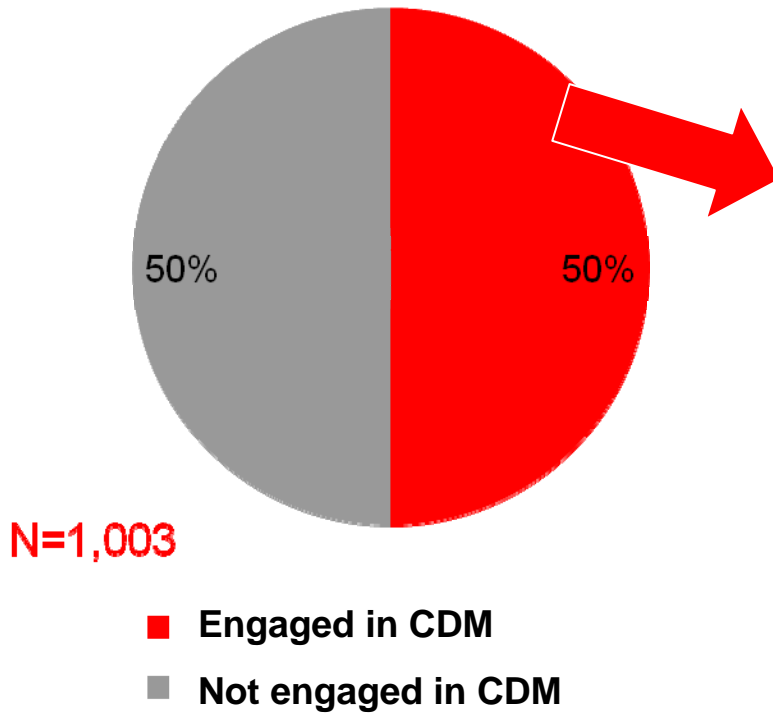


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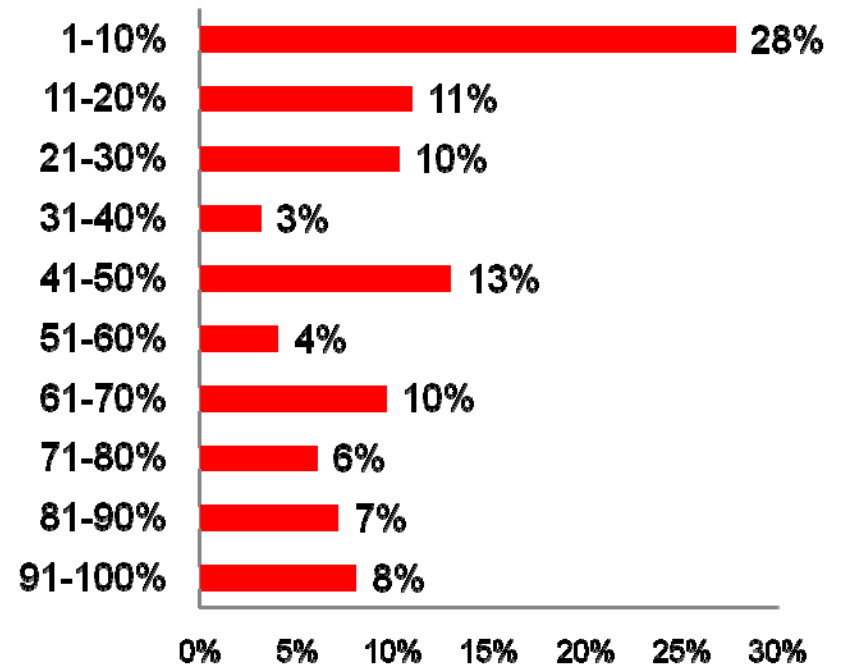
Current Engagement in China Domestic Market

50% local enterprises are engaged in CDM



N=447
 (Excluding “not sure, but engaged in CDM”)

Percentage of annual sales turnover to/in CDM

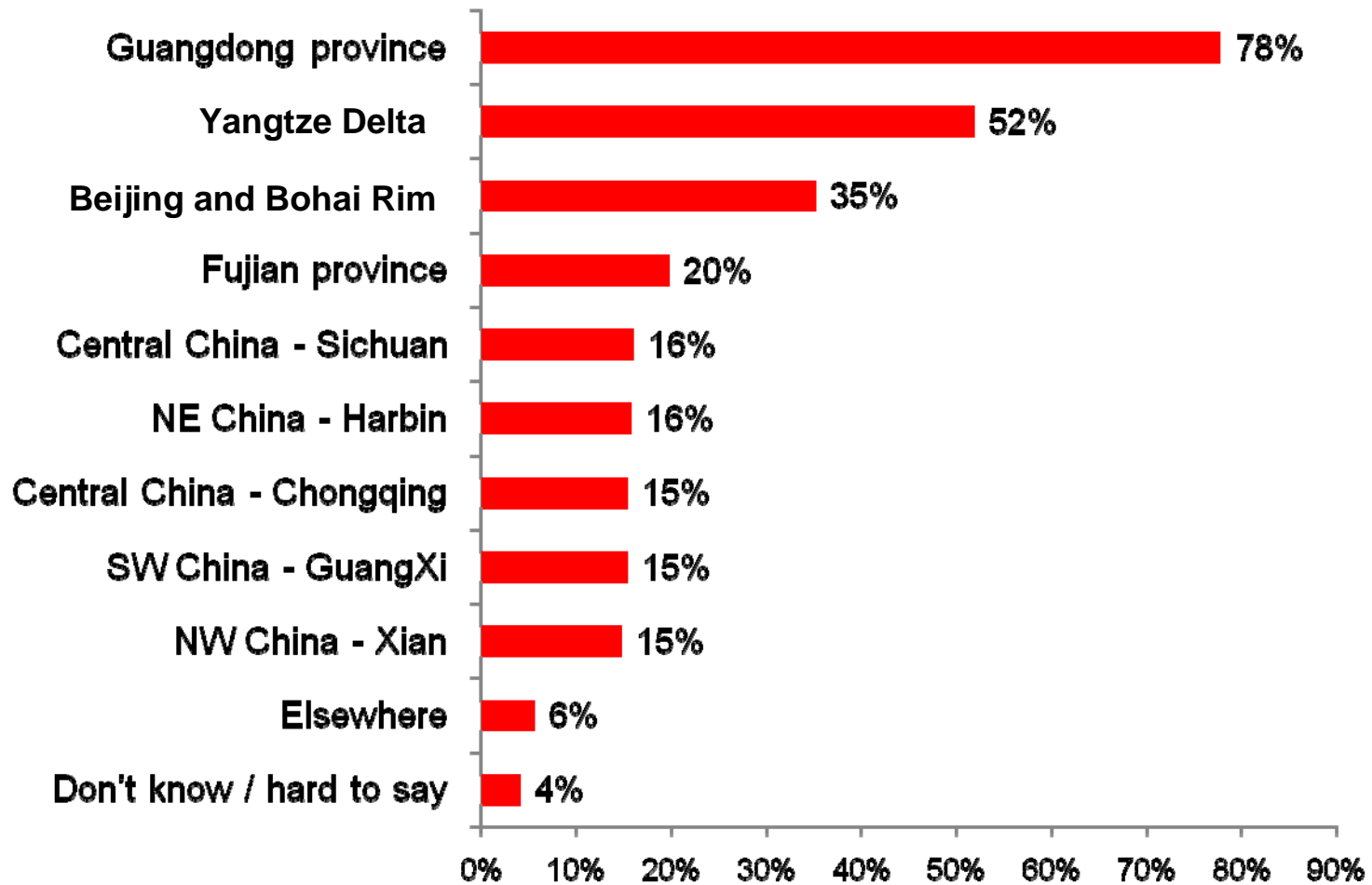


Industries Engaged in CDM

Industries	% of companies engaged in CDM	Mean % of annual sales turnover
Machinery and equipment 機械設備	64%	58%
Building materials 建築原材料	60%	49%
Clothing / textiles 成衣 / 紡織品	53%	39%
Chemical products 化學產品	53%	46%
Commercial services 商業服務	53%	28%
Electronic products 電子產品	50%	41%

Business Outlets in Mainland China

Most popular outlet was Guangdong Province



N=502



Companies Already Engaged in CDM

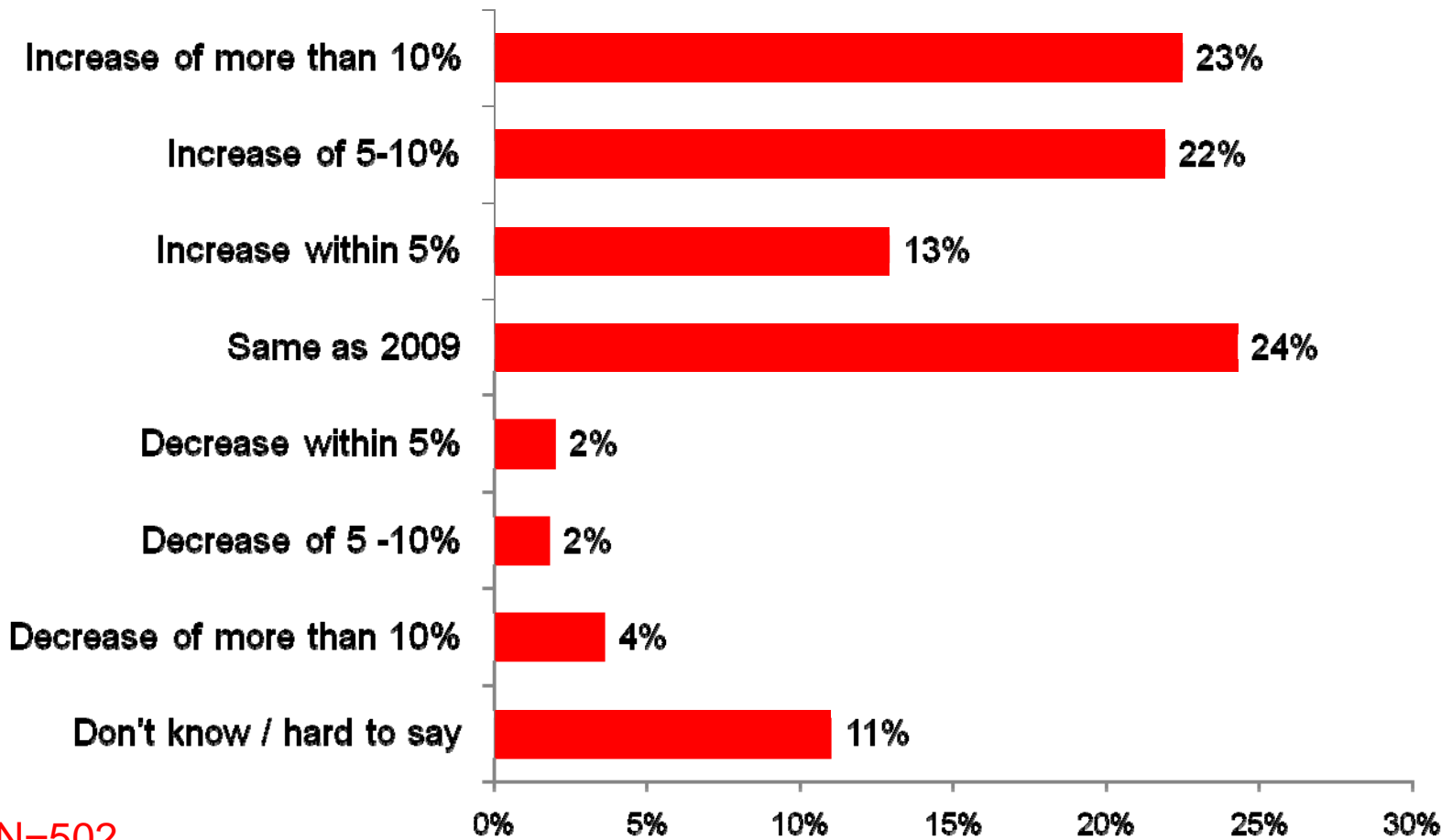


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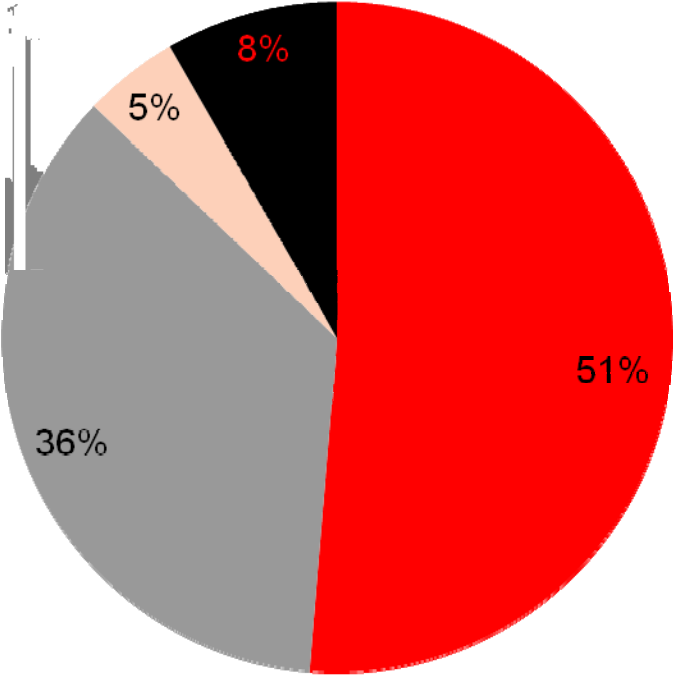
Anticipated Business Outlook in CDM in the Next 12 months

Local enterprises are optimistic



Business Expansion Plans in CDM

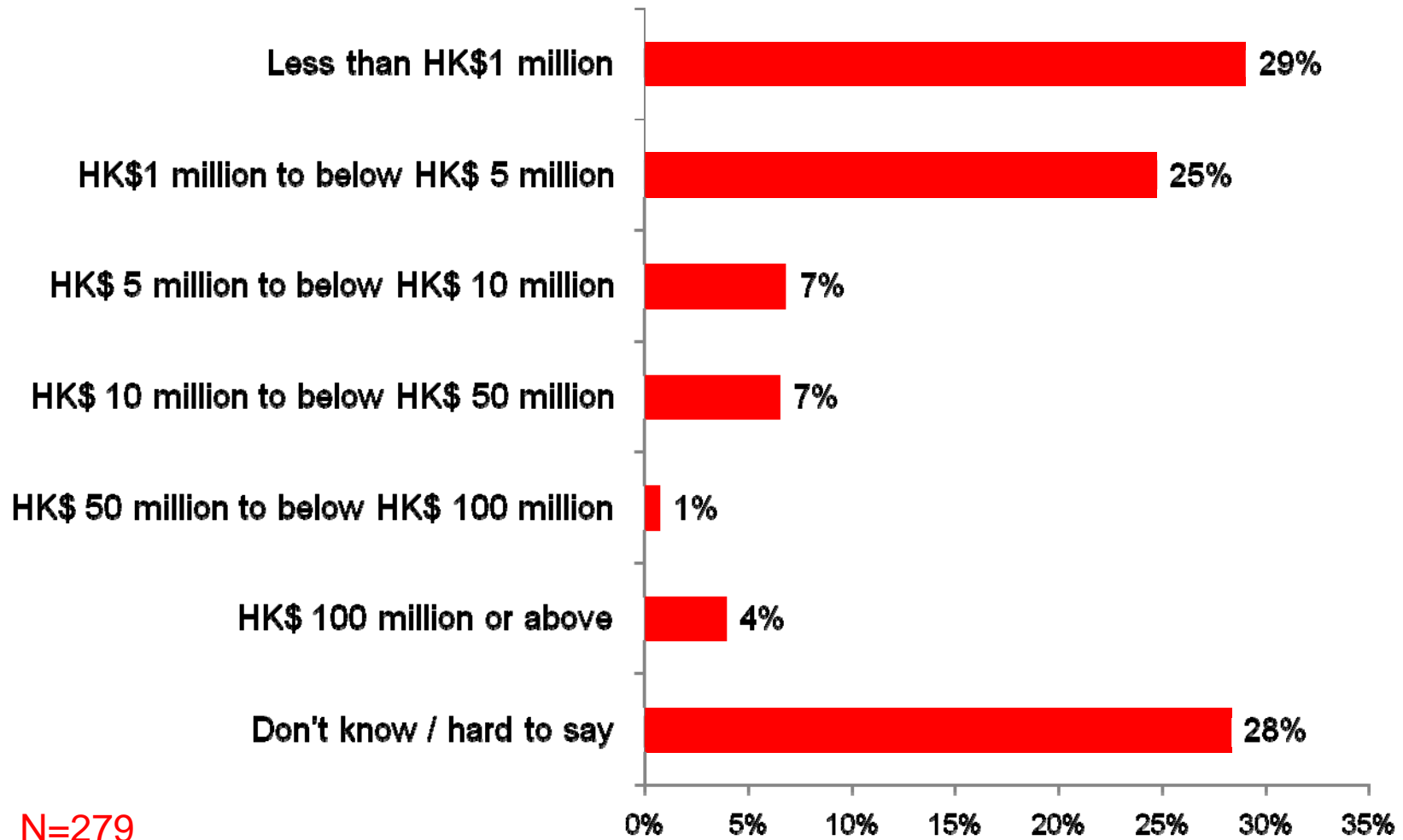
Around 50% of enterprises plan to expand in the next 2 years



N=503

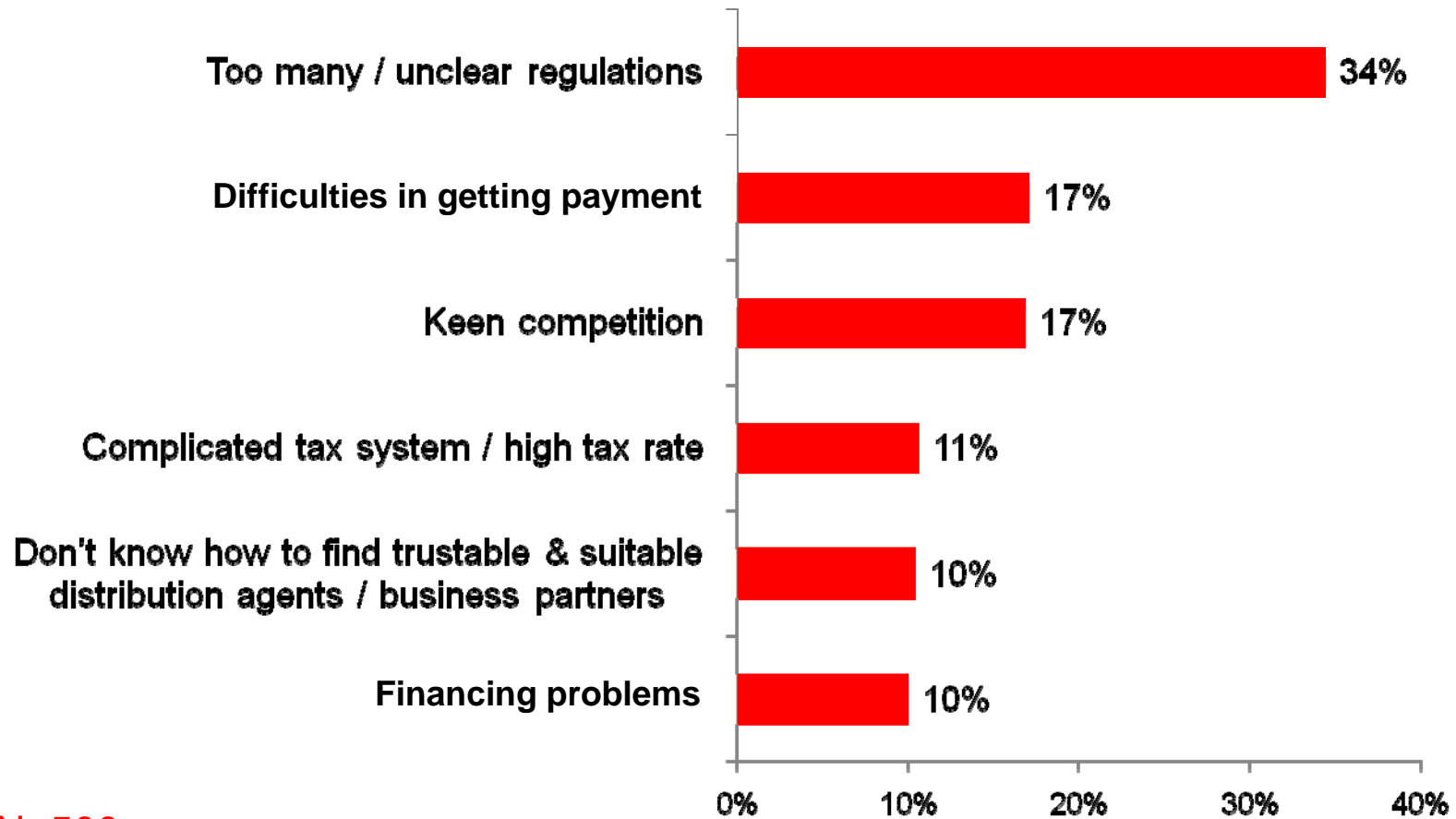
■ Yes ■ No ■ Maybe ■ Don't know/ hard to say

Intended Investment Amount for Expansion



Major Obstacles for Starting / Running CDM

“Too many / unclear regulations” is the most serious challenge



N=500



Companies Not Yet Engaged in CDM

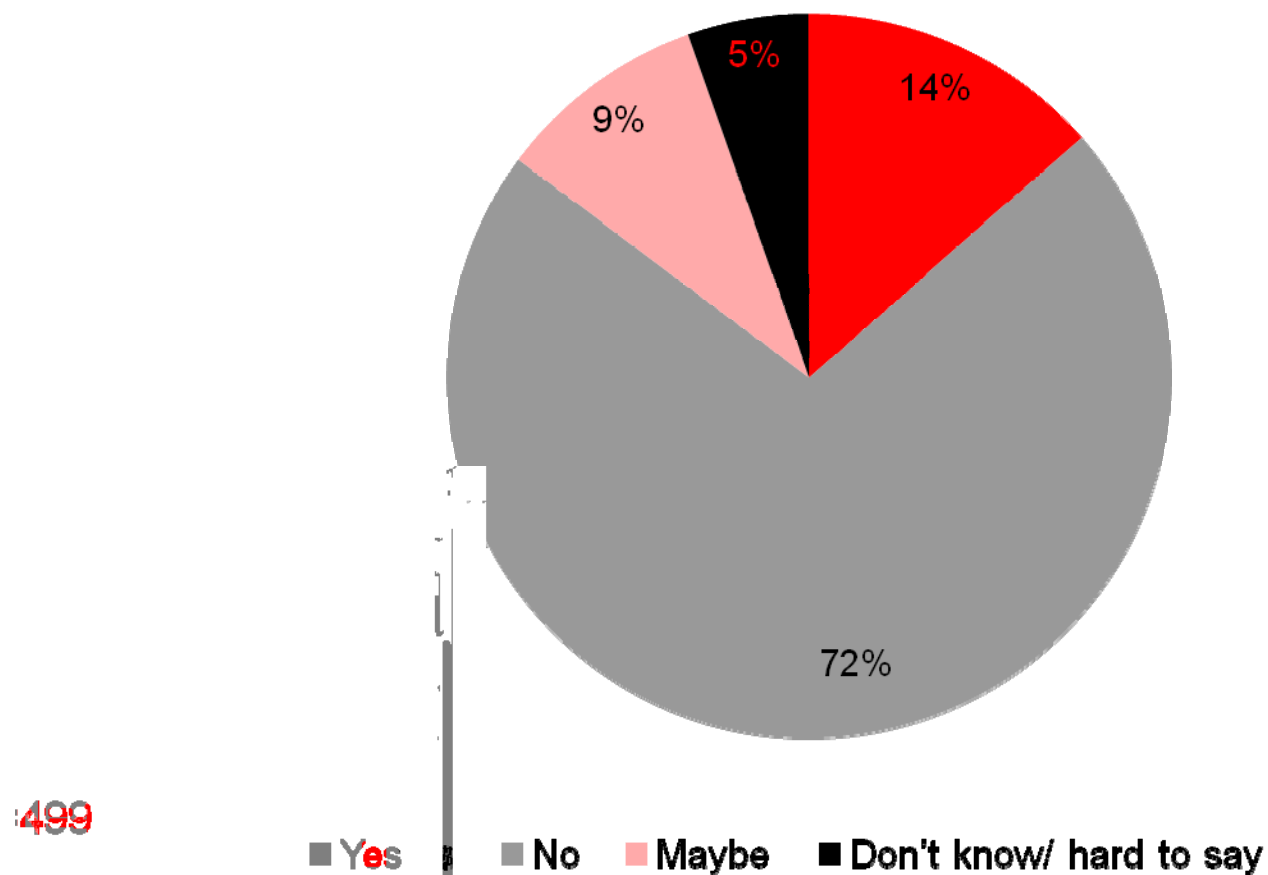


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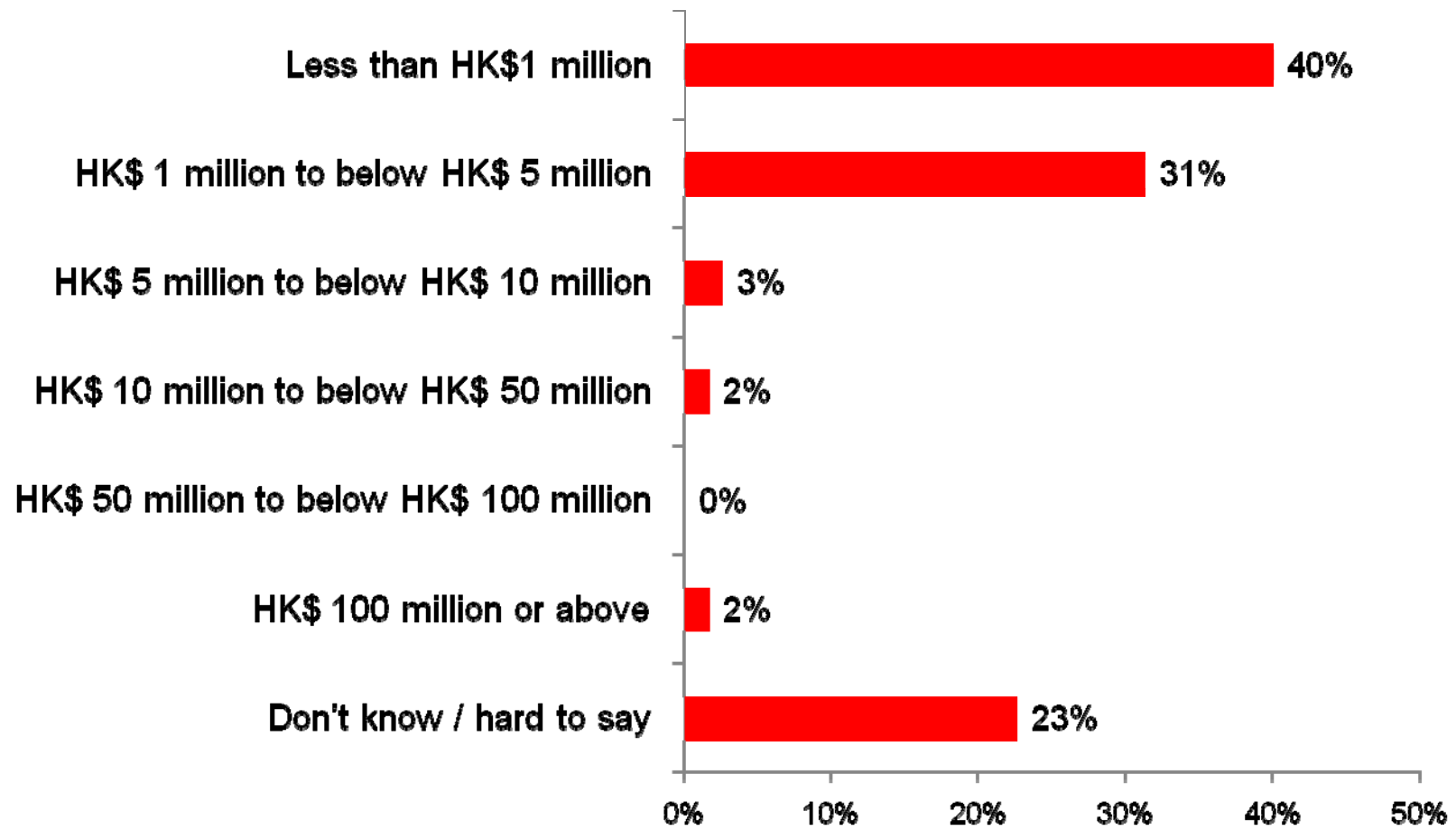
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Plans to Enter CDM within the Next 2 years

14% of enterprises not already in mainland China plan to enter the CDM



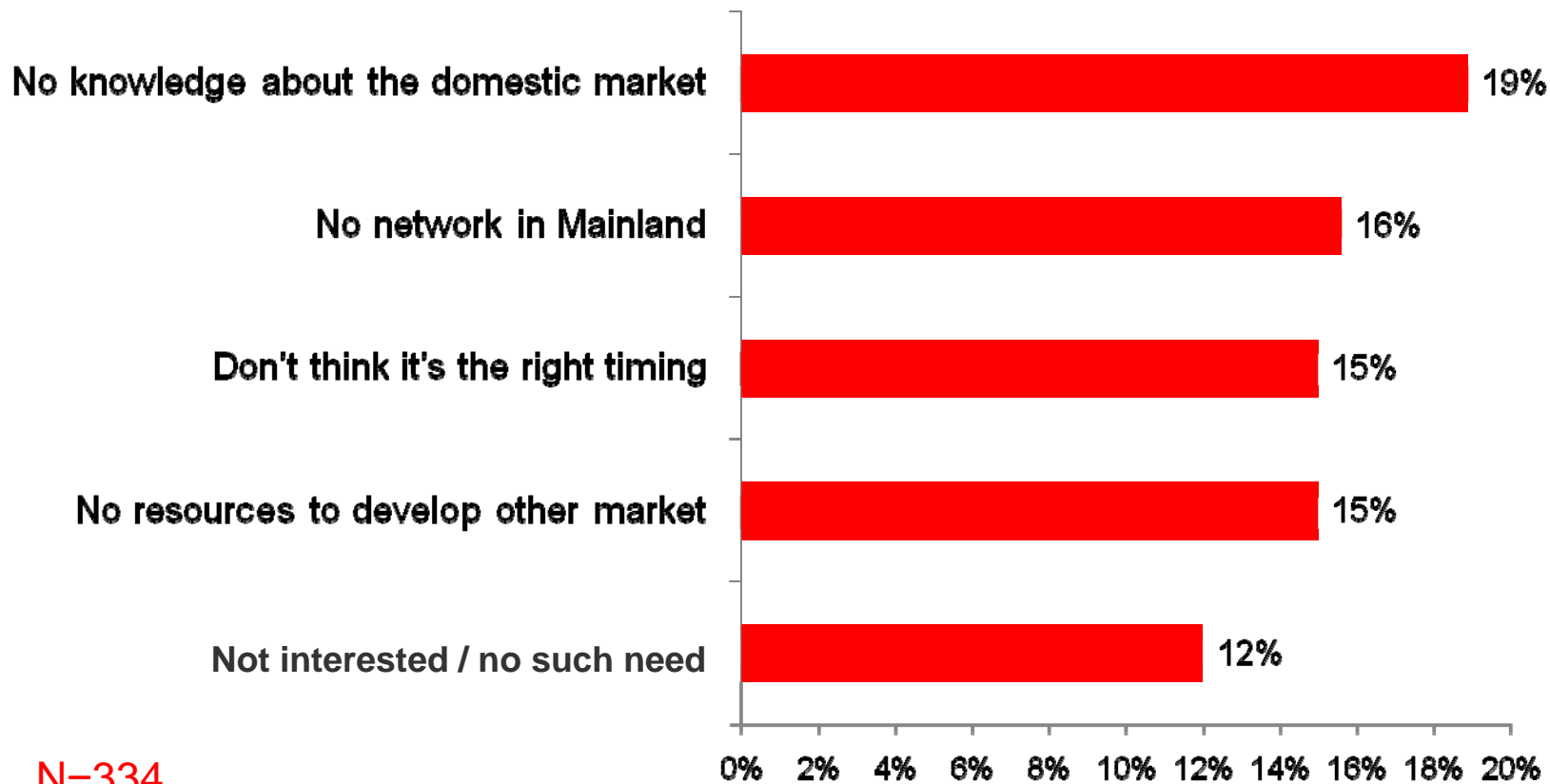
Intended Initial Investment Amount



N=115

Major Obstacles for Entering the CDM

“No knowledge about the domestic market” is the main consideration factor



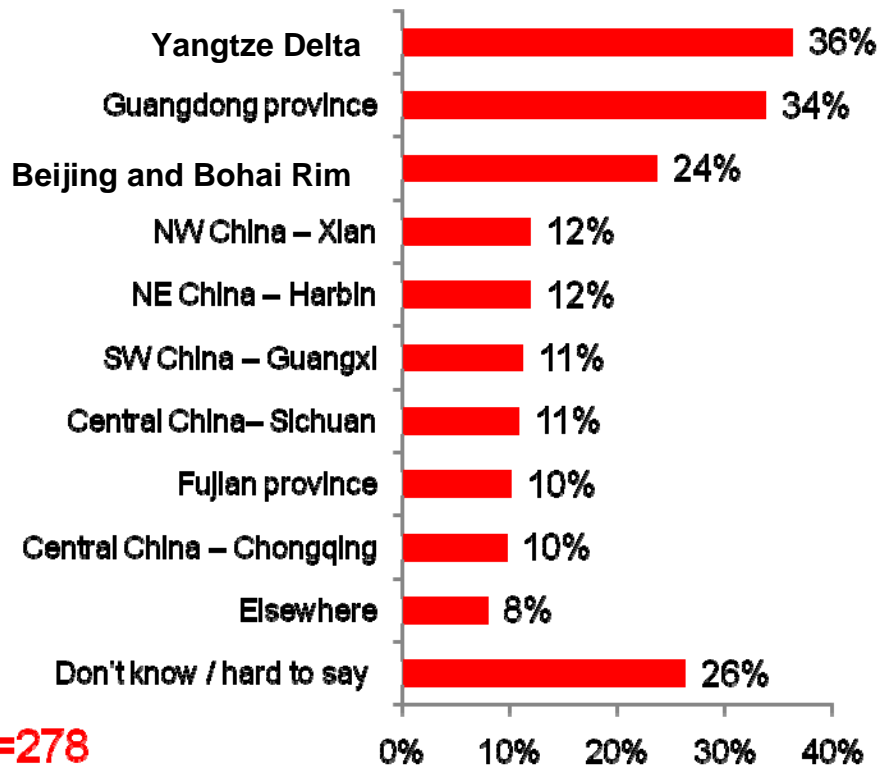
N=334

(excluding those whose businesses are not suitable for CDM)

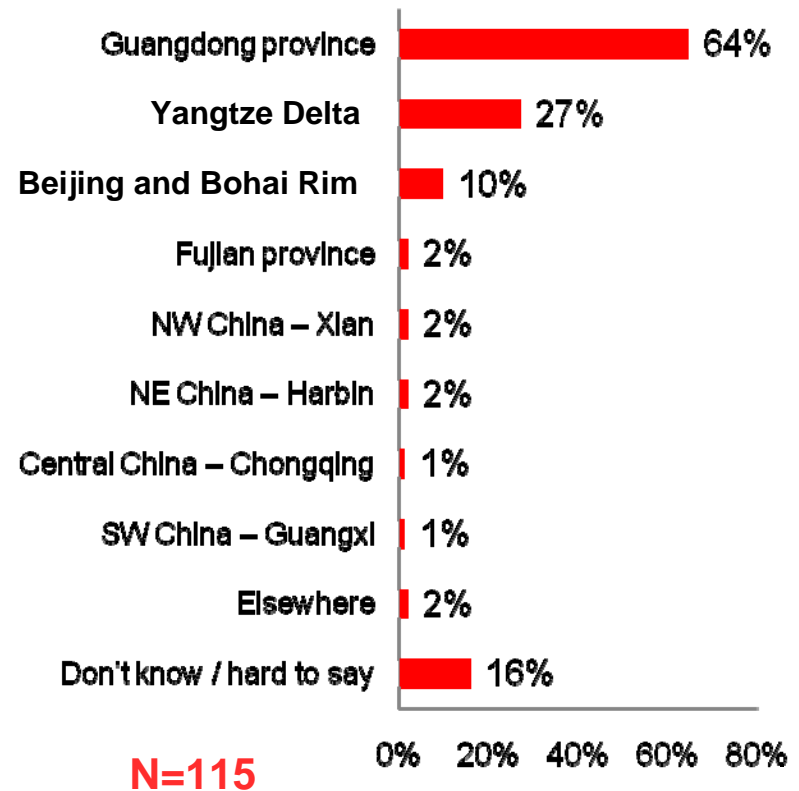
Intended Expansion Outlets & the First Intended Outlets

The 3 most popular outlets were “Yangtze Delta”, “Guangdong Province” and “Beijing and Bohai Rim”

Companies already engaged in CDM and planned to expand



Companies not yet engaged in CDM but planned to enter



CHINA DOMESTIC MARKET SURVEY

Summary

- Half of local enterprises (50%) are already engaged in China Domestic Market (CDM).
- Local enterprises are optimistic on the CDM business outlook in the next 12 months.
- 50% enterprises already engaged in CDM plan to expand in the next 12 to 24 months; among them, 54% plan to invest less than HK\$5 million.

CHINA DOMESTIC MARKET SURVEY

Summary

- Top 3 challenges of starting / running CDM are “too many / unclear regulations”, “difficult to get payment” and “keen competition”.
- 14% of those not yet engaged in CDM plan to enter this market in the next 12 to 24 months, just more than 70% intended to invest less than HK\$5 million.
- Top 3 obstacles of entering CDM: “No knowledge about domestic market”, “No network in mainland” and “it’s not the right timing”.

Thank You.