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MORE HONG KONG ENTERPRISES WILL BE IN CHINA DOMESTIC MARKET BY 2012

Around one-third (33%) of Hong Kong enterprises plan to invest in mainland China in the next two years, suggests a new survey from HSBC Commercial Banking, including those who are already selling into China and those who will enter the Mainland market for the first time.

More than 1,000 local enterprises in Hong Kong representing a cross-section of industries were polled in January and February 2010 by the University of Hong Kong Public Opinion Programme.

Half of all survey respondents are already in the mainland domestic market today, led by suppliers of equipment, building material, and clothing and textile. In view of the increased consumer spending and massive infrastructure programmes encouraged by the Mainland government, 51 per cent of those who are already in the market said they plan to increase their investment in the Mainland in the next two years. Fourteen per cent of businesses who are not yet in the China domestic market said they are looking north for business growth in the next two years.

Albert Chan, HSBC's Head of Commercial Banking in Hong Kong, said: "The China market is of significant importance to Hong Kong, as demonstrated by our substantial foreign direct investment into mainland China over the past decade. The growth of the China domestic market is providing huge opportunities for Hong Kong and as a leading international bank, HSBC is the ideal partner for local enterprises who want to develop their business in the Mainland."

Among businesses who intend to expand investment in China domestic market, 44 per cent plan to invest at least HK\$1 million in the next two years. For those who plan to enter the market by 2012, 38 per cent intend to invest at least HK\$1 million initially.

According to the survey, Guangdong province, the Yangtze Delta, and Beijing and the Bohai Rim are the most popular areas for Hong Kong businesses.

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More HK enterprises will be in China domestic market by 2012/2

Robert Chung, Director of The Public Opinion Programme at HKU, said: “The survey suggests that while local enterprises are rather optimistic about their business in China, they are facing a number of challenges.”

The survey reveals that for those already in China, the top challenges cited were “too many or unclear regulations” (34%), “difficulties in getting payment” (17%) and “keen competition” (17%). For those who are not in China today, “no knowledge about the domestic market” (19%) is the top barrier.

At the same time, respondents said remittances (32%) and financing (29%) are the two most important banking services to help local enterprises grow their business in the China market.

Mr Chan added: “We see the potential of the China domestic market and the growing needs of cross-border banking services. In the fourth quarter of 2009, HSBC recorded 20 per cent year-on-year growth in remittances from Hong Kong to mainland China. By leveraging our China capabilities, we will strive to provide a comprehensive suite of banking solutions for commercial customers seeking to develop and expand in this market.”

In April, HSBC will organise two seminars on China domestic market for customers where speakers will share their experiences in entering the market.

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Notes to editors

More details of the survey

Please see the attached document entitled *HSBC Commercial Banking Survey on Local Enterprises' Expansion Plans in the China Domestic Market* for more information.

The Hongkong and Shanghai Banking Corporation Limited

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