

PIVOTAL

Hong Kong SAR spotlight 2024



New research by DBS reveals the growing strategic influence that treasury and finance teams have on the long-term future of the business. Their guidance is vital as digital technology enables new forms of trade and value creation, as demand grows for sustainable business models, and as economic power is rebalanced across emerging markets as part of a new era of globalisation.

Here we look at what this means for businesses in Hong Kong SAR.

1. The business and economic climate

- As a key gateway to Mainland China, Hong Kong SAR is a major global trade and logistics hub
- Re-exports comprise a large part of Hong Kong SAR's trade and important items include electronics, machinery, textiles and jewellery ^[1, 2]
- As of 2023, Hong Kong SAR's GDP was approximately USD377bn, with real GDP growth up by 3.2% from the preceding year ^[3]

^[1] <https://www.rics.org/news-insights/wbef/hong-kong-unfolding-future-macro-economic-landscape>

^[2] <https://tradecouncil.org/the-major-exports-in-hong-kong/>

^[3] <https://www.statista.com/statistics/316972/hong-kong-gross-domestic-product/>

- The simple, low-rate tax system and lack of foreign exchange controls are significant draws for international businesses

Strategic priorities for businesses in Hong Kong SAR

The top three strategic priorities of organisations in Hong Kong SAR for the next two years are:

1. Improving productivity and operational performance (89% say this is a priority)
2. Building topline growth in Asia (81%)
3. Pursuing decarbonisation and net zero (81%)

Business diversification: innovation, supply chain and financing are key

More than three in five Hong Kong SAR-based executives (63%) say that business diversification is an important goal for their company in the coming two years.

Among this 63% of survey respondents, businesses are most likely to be pursuing transformation in the following areas: products and services; sources of financing; how and where they manage the treasury and finance function; and supply chain – each of these is cited by 77% as a priority for diversification. Seven in 10 businesses (70%) are also looking to diversify geographically.

Barriers to growth

Securing finance and funding for strategic initiatives remains a significant challenge for businesses operating in Asia, amid ongoing economic uncertainties. ^[4]

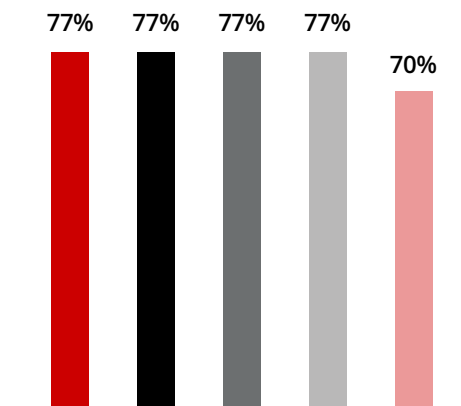
Indeed, access to capital and financing is the chief

factor perceived to be hampering growth for Hong Kong SAR-based businesses, and is cited by 40% of the locally based executives in our research. Alongside the challenging funding environment, we find that economic downturn, geopolitical uncertainty, and growing regionalisation and nationalism are all cited by more than a third of Hong Kong SAR-based respondents (35%) as barriers to growth.

Figure 1. Businesses in Hong Kong SAR pursue widespread diversification

Which areas of the business is your organisation looking to diversify?

- Our sources of financing
- Innovating new products and services
- How and where we manage our finance and treasury function
- Supply chain
- Geographic division



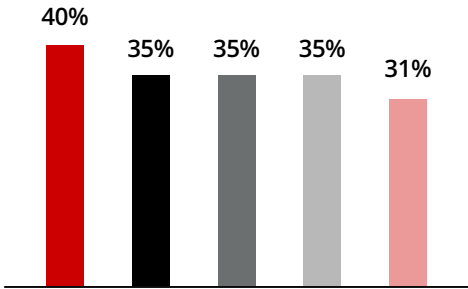
^[4] <https://kpmg.com/xx/en/home/campaigns/2023/10/venture-pulse-q3.html>



Figure 2. Access to capital and financing perceived as key barrier to growth in Asia

What are the main barriers that your business faces in Asia today?

- Access to capital and financing
- Economic downturn and volatility
- Geopolitical uncertainty
- Growing regionalisation and nationalism
- Climate risk



2. The strategic power of treasury and finance teams and finance teams

Treasury and finance teams are integral to corporate strategy formulation

Hong Kong SAR treasury and finance teams are heavily involved in corporate strategy (96%), reflecting their expertise in risk mitigation and regulatory compliance. This is followed by procurement and supply chain (87%) and digital transformation (84%), the latter perhaps reflecting the benefits of emerging technologies for these teams and underlining their roles as enablers of organisational agility and efficiency.

Treasury and finance teams in Hong Kong SAR are facilitating innovation and sustainability

Treasury and finance teams lead diversification on innovating new products and services, with 92% of Hong Kong SAR executives involved in executing this area of business diversification, compared to a global average of 84%. They also play a leading role in deciding how and where to manage their function (89%).

Figure 3. Treasury and finance teams are closely involved in corporate strategy

Which strategic initiatives are your treasury and finance teams closely involved with?

- Corporate strategy
- Procurement and supply chain
- Digital transformation
- Innovation and new product development
- Sustainability and decarbonisation

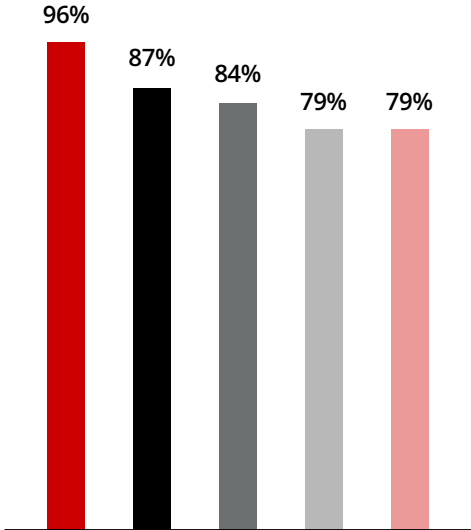
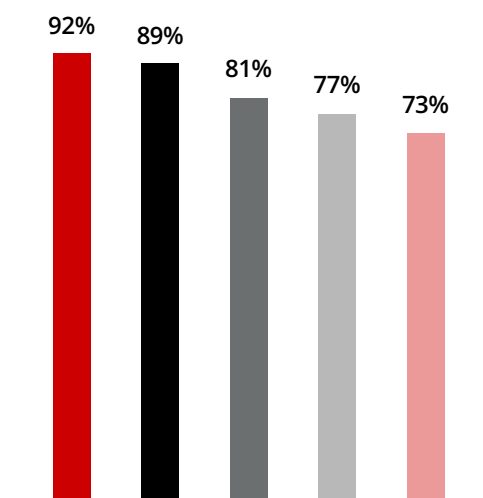


Figure 4. The role of Hong Kong SAR's treasury and finance function in enabling business diversification

Is your treasury and finance function involved in the execution of the following diversification initiatives?

- Innovating new products and services
- How and where we manage our treasury and finance function
- Our sources of financing
- Channels to market
- Geographic diversification



Treasury and finance teams in Hong Kong SAR are more likely than their international peers to secure financing for sustainability projects to reduce the company's carbon footprint (63% compared with 56%). This follows increasing regulatory support on ESG integration and initiatives such as the Green and Sustainable Finance Grant Scheme, which provides incentives for issuing green and sustainable debt instruments in Hong Kong SAR. ^[5]

Hong Kong SAR, Shanghai and Singapore are the three favoured locations for regional treasury centres (RTCs) in Asia

Three in 10 executives in our research rank Hong Kong SAR as the strongest regional treasury centre location in the region. Hong Kong SAR is rated particularly highly for its tax and regulatory framework, financial resilience and depth of talent pool. Singapore also comes top across several dimensions, whereas Shanghai is highly rated by executives in general.

A supportive tax and regulatory framework is the most important factor for Hong Kong SAR businesses when considering where to locate their treasury and finance function in Asia, cited by 75% versus a global average of 70%.



^[5] <https://sustainablefutures.linklaters.com/post/102j74w/hong-kong-expands-green-and-sustainable-finance-incentives-and-launches-taxonomy>

Figure 5. Singapore and Hong Kong SAR are the most favoured as locations for RTCs

Which is the top RTC location across the following dimensions?	
Dimension	Top location
Overall suitability as a treasury centre location	Singapore
Depth of talent pool	Hong Kong SAR
Presence of other multinational corporations	Singapore/Shanghai
Robust financial ecosystem	Hong Kong SAR
Supportive tax and regulatory framework	Hong Kong SAR

3. What comes next for treasury and finance teams in Hong Kong SAR?

More than half (52%) of the executives in Hong Kong SAR believe that treasury and finance teams will be integral to business success in the new era. This is a lower figure than in some other markets in our research but still a significant proportion that highlights the teams' importance among peers.

Hong Kong SAR executives say their treasury and finance teams are **strongest** in the following areas:

1. Talent and skills (65% say their team is capable)
2. Understanding different priorities and challenges across the executive leadership (61%)
3. Preparedness to challenge strategy/development teams and offer solutions (60%)

They are **weakest** in the following areas:

1. Perspective on new and emerging risk (32% say their team has room for improvement)
2. Process innovation and flexibility (29%)
3. Preparedness to challenge strategy/development teams and offer solutions (23%)

That preparedness to challenge other corporate

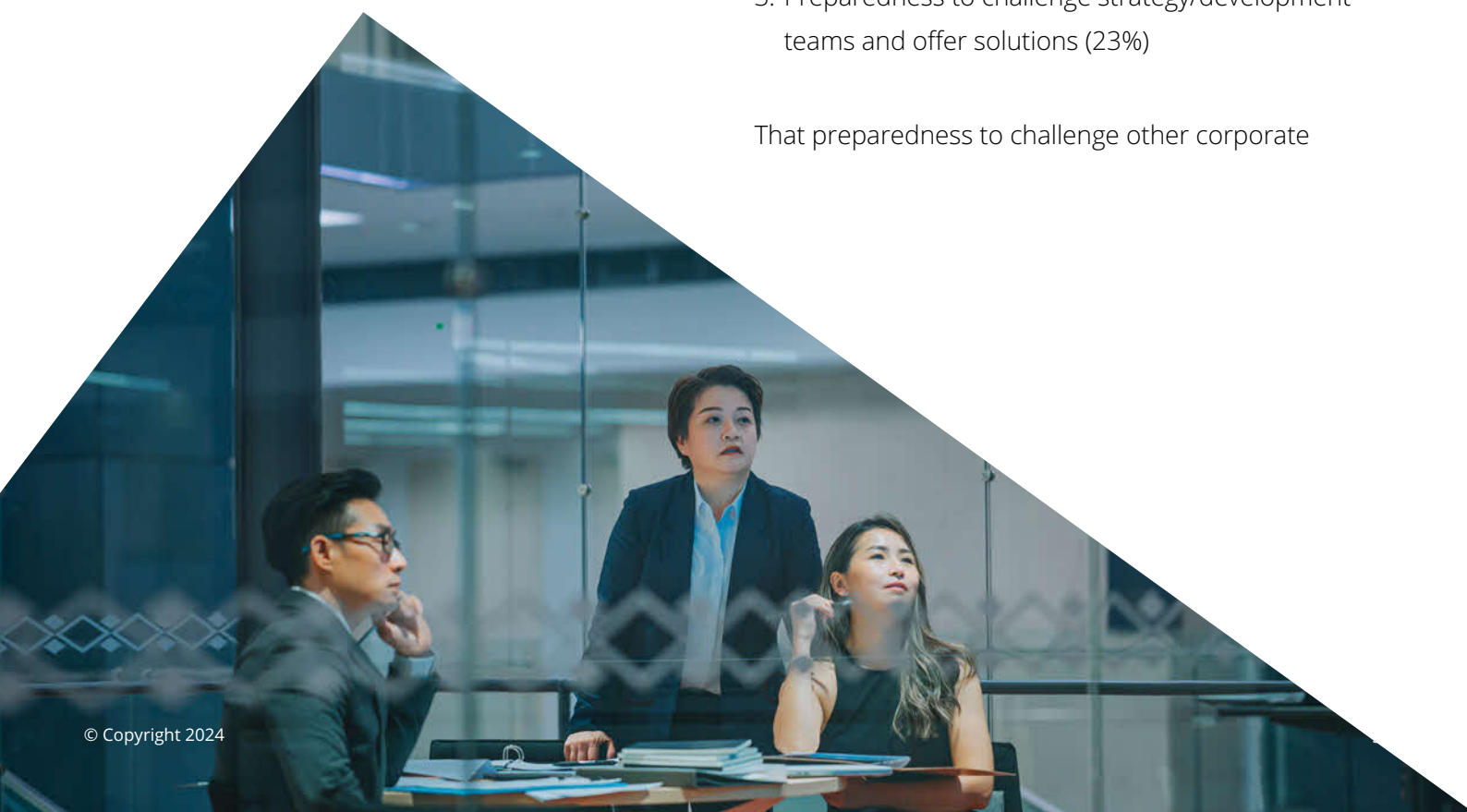
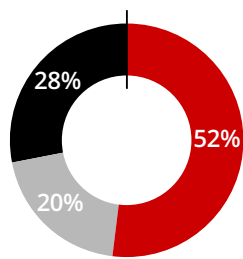


Figure 6. Respondents in Hong Kong SAR are highly likely to see treasury and finance teams as enablers of success

Do you agree that treasury and finance will be integral to business success in the new wave of globalisation?

■ Agree
■ Neutral
■ Disagree



The outlook for treasury and finance teams in Hong Kong SAR is full of promise. We believe their priority should be to step up their collaborative efforts to implement the strategic vision of the business and navigate challenges such as financing while better aligning their operations to keep up with the rapid pace of change. At the same time, companies should explore how generative AI can further enhance their workforces, providing executives with the flexibility to focus on value added tasks.

At DBS, we are committed to providing guidance and support to help treasury and finance teams navigate the path ahead.

[Please click here to read the full *Pivotal* report](#)

functions is both a top strength and a weakness for treasury and finance teams in Hong Kong SAR and indicates that there is a variety of organisational cultures among businesses situated there.

Against this backdrop, executives in Hong Kong SAR are focusing on a wide range of challenges and priorities:

- 76% say that finance, procurement and strategy teams must collaborate to ensure they have a set of common goals
- 75% say securing financing for new strategic initiatives in Asia is becoming more important
- 56% say that their treasury and finance teams are struggling to keep up with the pace of strategic change and investment across the global business
- 56% say generative AI is helping them overcome long-term talent shortages and related challenges within the treasury and finance organisation

“ Asia is the epicentre of growth in the new era of globalisation, with businesses seeking new consumer markets and manufacturing capacities in the region’s emerging economies. Within companies in Hong Kong, we see a specific focus on growing topline in the region and decarbonising the business while enhancing productivity. This is creating impetus among treasury and finance to secure more favourable financing arrangements and support further growth across the region.

Wallace Lam

Head of Institutional Banking Group
DBS Hong Kong



“ Treasury and finance are uniquely positioned to influence the long-term success of their businesses. In Hong Kong, they tell us they are heavily involved in shaping the broader corporate strategy while supporting transformation in procurement, the supply chain and across the wider business. At the same time, Hong Kong is regarded as a top location for an Asian regional treasury centre, reflecting its skilled workforce, efficient financial ecosystem and amenable tax and regulatory environment.

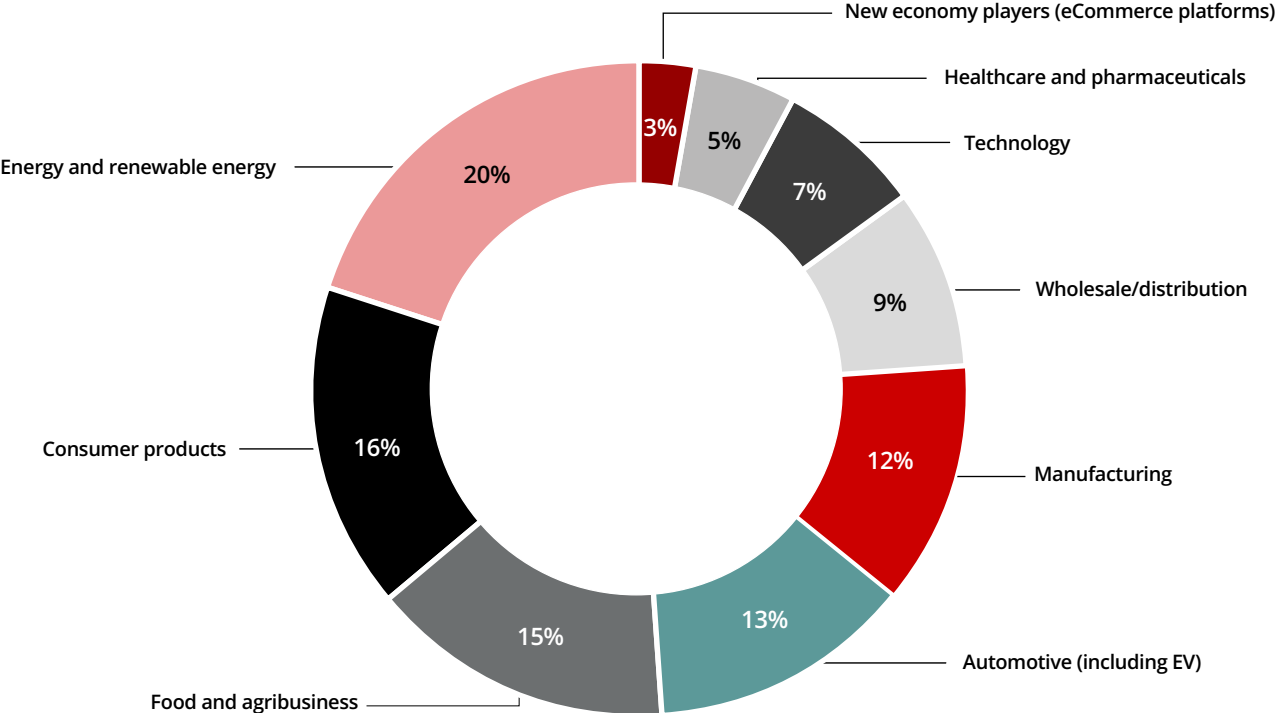
Boris Chan

Head of Global Transaction Services

DBS Hong Kong

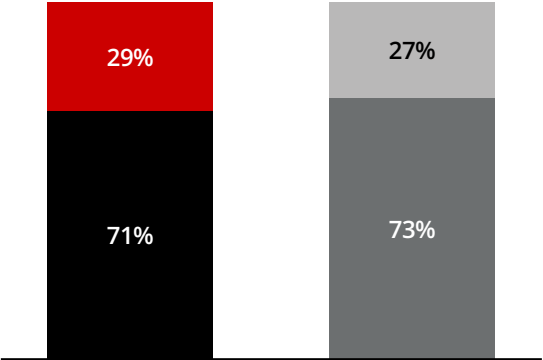
Hong Kong SAR: Demographic breakdown of survey respondents

Industry



Function and seniority

- Strategy
- Finance
- C-level (executive leadership/board member)
- C-1 (senior management reporting into executive leadership)



Role

