


CAUTIOUSLY CONFIDENT: CHINA'S BUSINESSES MOVE FORWARD

HLB SURVEY OF BUSINESS LEADERS 2021 - CHINA OUTLOOK





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FOREWORD

IN JANUARY, WE LAUNCHED OUR LATEST ANNUAL SURVEY OF GLOBAL BUSINESS LEADERS, ACHIEVING THE POST-PANDEMIC VISION: LEANER, GREENER AND KEENER.

In it, we explore how C-suite executives around the globe are adapting to new economic realities, what their views are on the business environment in light of a global health and economic crisis and the opportunities for those poised to adapt quickly to make the most of new market opportunities which present themselves at points of disruption.

We interviewed 66 executives in China as part of our survey of 583 business leaders across 55 countries. China's leaders told us they are confident in a strong recovery, grateful for advanced digital technologies to support a growing hyper-connected consumer market, and fortunate to be well-positioned to build a better future for their businesses, workforces, and society.

Business leaders in China are the most confident of all we have spoken to in this year's survey. So, it's not surprising that, as the pandemic has accelerated the end of some sectors and the beginning of others, many in China are taking advantage of structural change to explore new business models and emerging market opportunities.

Their focus is on growth, over retrenchment, including much concentration on tech-enabled innovation, new product development and fresh partnerships to ensure businesses are well-positioned for new market opportunities at home and internationally. We have also found very positive responses regarding key social imperatives around diversity of talent and the transition to a world-leading low-carbon and high-growth economy.

I would like to thank all the business leaders who have given their time to respond to our questionnaire. We are delighted to share our findings with you and hope this report brings you the insight to achieve your post-pandemic vision for success. If you would like to discuss any of the findings or issues raised in our report, we welcome the opportunity to do so.

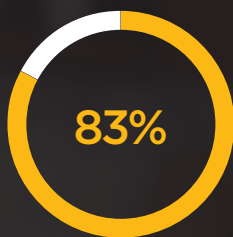
Coco Liu

HLB Chief Regional Officer Asia Pacific

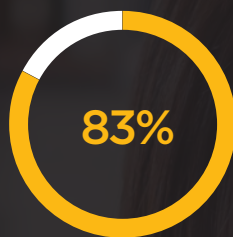


KEY FINDINGS

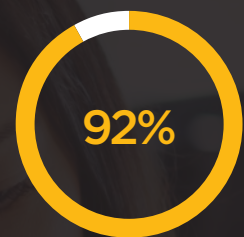
BUSINESS LEADERS REMAIN CONFIDENT IN A CHALLENGING YEAR



are confident in their own ability to grow

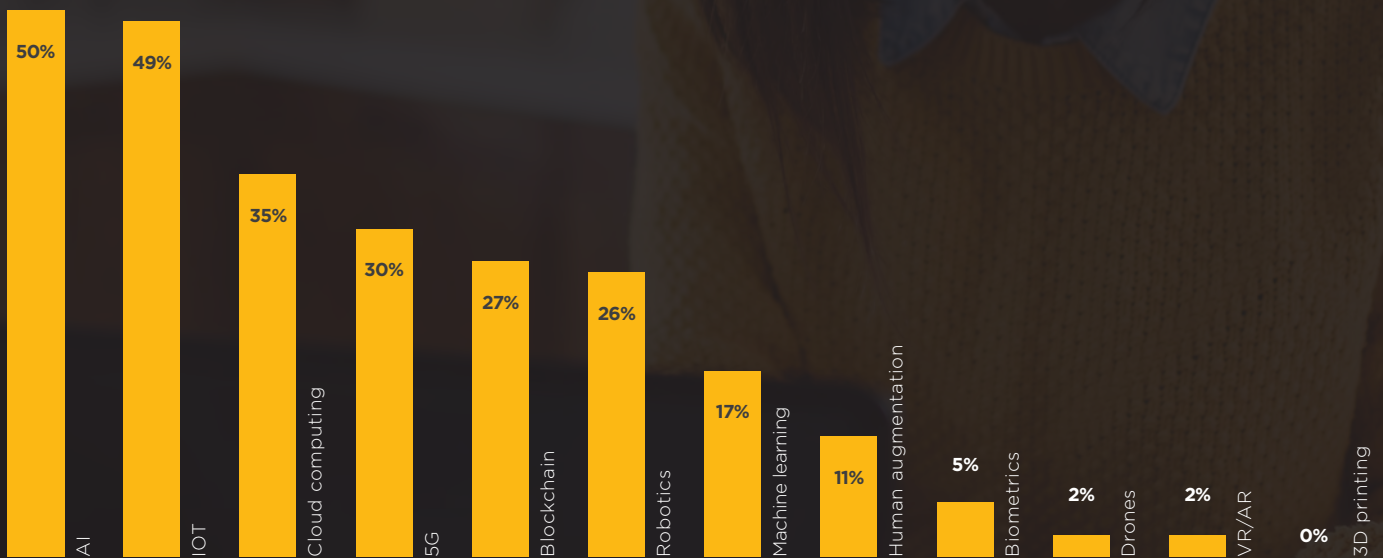


are confident in their ability to steer the business in a new direction post-pandemic

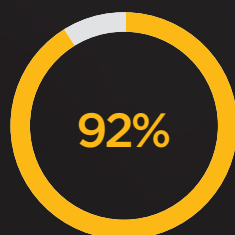


agree that technological advancements will help them overcome cross-border business challenges

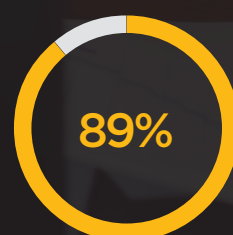
EMERGING TECHNOLOGIES MOST IMPORTANT FOR SUCCESS



CHINA'S LEADERS ARE WELL POSITIONED TO COMMERCIALISE GREEN GROWTH OPPORTUNITIES



believe their response to events which impact society will reflect on their brand reputation



see an opportunity to profit from the low-carbon economy of the future

CONFIDENCE IN RECOVERY

THE PANDEMIC HAS CAUSED SEISMIC ECONOMIC DISTURBANCES. THE RIPPLE EFFECTS HAVE AFFECTED NEARLY ALL GLOBAL MARKETS IN 2020. HOWEVER, AS WE ARE NOW IN A NEW YEAR: THERE'S MORE ROOM FOR OPTIMISM

China is the first to emerge from the worst of the pandemic and now leads the global economic recovery. Business leaders based in Greater China are less concerned about the impact of COVID-19 on their operations — 67% vs 81% of their global peers. They also feel less preoccupied regarding economic uncertainty — 62% vs 77% global peers.

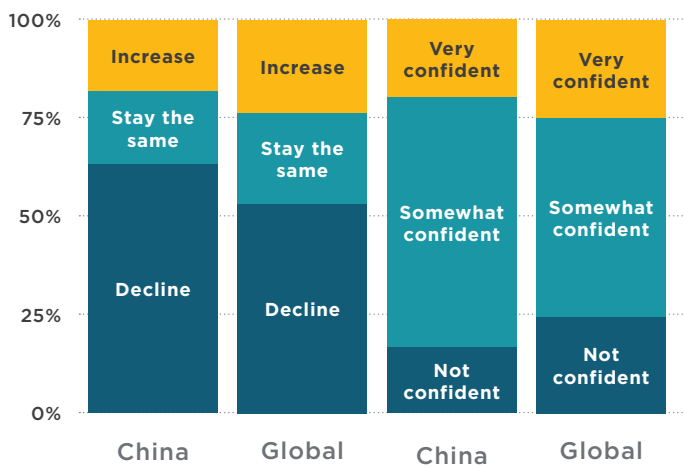
They have good reason to be confident. Though its expansion rate was the lowest since the 1980s, China was the only major economy to retain growth in 2020. In quarter four of 2020, the domestic market resumed an upward growth trajectory as both businesses and consumers found a new footing after the disruption, caused by the virus¹. An earlier restart, paired with effective governmental actions, has injected greater optimism in leaders in China. 83% of business leaders feel confident in their own company's ability to grow revenues in 2021 versus 75% of global leaders we surveyed. Their confidence is supported by the wider outlook as China's economic growth is expected to increase by 8.4% in 2021² as the epidemic is further contained.



Figure 1: China's leaders remain confident

Q. Do you believe the rate of global economic growth will change in the next 12 months?

Q. How confident are you about your company's ability to grow revenue over the next 12 months?



This positive outlook is fostered by two factors:

- A strong belief in their own businesses' ability to grow, in conjunction with proactive customer-focused actions to take the business forward in 2021.
- Timely interventions of national and regional governments to effectively curb the virus spread, whilst also supporting continued economic activity in China.

Previous experience with managing local epidemics (such as SARS) enabled the government to act quickly and decisively to contain COVID-19. The centralised epidemic response system moved very quickly to stop transmission of the virus. A strict lockdown and suspension of public transport were followed by an effective national system of testing and digital contact tracing centres operating round-the-clock.





Travel quarantine measures were strictly enforced and mask-wearing and social distancing rules rapidly adopted and duly complied with.

China also rolled-out a set of emergency policies aimed at stabilizing and encouraging production capacity. Early into the pandemic, the State Council provided a series of emergency ‘relief’ measures including deferrals, reductions, or exceptions on social contributions and taxes. Additionally, the government managed to rapidly provide loans for affected companies.

Overall, the government’s capable and successful management of the pandemic bolstered trust in its actions and legitimised any further restrictions required to manage new outbreaks. Going through one of the harshest lockdowns, China is among the first to return to the ‘normal’ life, full of travel, in-person shopping, dining, and undisrupted business operations. As a result, sectors such as hospitality, retail, and transportation have been less affected in China than in other countries.

MASTERING AN ECONOMIC ‘BALANCING ACT’

China’s economy is in the midst of a decade-long transition from a mainly export-driven growth market to one focused on both domestic and export-driven growth. The latest stride of this policy development is the ‘dual circulation’ initiative — a strategic 5-year economic plan to be approved in March 2021. The policy aims to further rebalance China’s economy

“Considering that the domestic market survives the unexpected pandemic and sharp drop in international orders, [we] focus on the needs of the domestic market, serve domestic customers sincerely and diligently, and maintain communication with major international customers, to get ready for the recovery of the international market in 2021.”

Actions one manufacturing CTO is taking to turn the crisis into opportunities

by accelerating the domestic market and strengthening its position with key trading blocs — especially partners in the Association of Southeast Asian Nations (ASEAN).

With a domestic economy less impacted by the pandemic and on/off lockdowns, and an earlier resumption of economic activity, it’s not a surprise that China’s business leaders have bullish plans for growth. 53% of executives in China are planning to launch new products and services in 2021 in order to grow. They are also twice as likely to be focused on improving customer acumen 29% vs 15% of their global peers. As a CFO in the manufacturing industry noted: “[we plan to] keep an eye on market changes, make immediate responses and be user-centric.” Over the next 12 months, leaders in China also plan to concentrate more on establishing strategic partnerships and working with entrepreneurs — 41% and 29% vs 27% and 21% respectively for global peers.

Perhaps, another reason why China’s business leaders have shifted focus to domestic market opportunities is further potential trade disruptions, prompted by the pandemic as well as shifting trade flows and political tensions. Exports have become problematic in certain markets, whilst domestic market growth, consumer purchase intent, and supply chain operations in China resumed by mid-2020.

“Figure out the possibility of changes in development direction of the industry and consumption structure, and attach more importance to products and services.” **Actions one manufacturing CFO is taking to turn the crisis into opportunities**

Whilst the international trade situation remains challenging, Huawei, for example, has shifted focus to developing new products for China's booming domestic market, where over 40 million devices are sold per quarter². In the second quarter of 2020, the company launched the first line-up of smartphones to support 5G at the local market. As US government regulations restricted Google from supporting their apps and services on new handsets, Huawei is developing a proprietary operating system and app ecosystem. Despite these restrictions, Huawei is not stepping back from global ambitions. Instead, they are taking advantage of strong growth opportunities in the domestic market whilst the global regulatory environment is uncertain.

"Innovate" is the top action in response to the question of what leaders can do now to turn the health crisis into an opportunity. China's leaders have also rated innovation as the top area requiring improvement over the next twelve months. This is in contrast to global respondents, who are most concerned with their weaknesses in digital capabilities (an area where China's businesses benefit from access to well-funded digital infrastructure). Executives in Greater China are also looking for ways to become leaner – a priority they share with their global peers. Achieving operational effectiveness is a top-of-mind action on 60% of China's leaders, whereas 46% also plan to reduce operational costs.

As it happens, China's export markets are also growing strongly, as many competitive markets had stop-starts in manufacturing capacity, due to repeat lockdowns. China's exports surged ahead in the later half of 2020, in part due to increased demand for medical equipment and electronics products. Whilst growing exports instil confidence, the operational disruptions experienced by other economies, may explain why 64% of China's survey respondents expect a decline in the rate of global economic growth over the next 12 months.

To add resilience to their operations, some of China's multinational businesses are localising their operations both at home and abroad, to ensure that their manufacturing centres are closer to their consumer markets. Actually, 91% of China's executives indicated that they are reassessing their supply chain to source closer to home versus 59% of global peers. However, 'home' isn't necessarily China for local multinationals as they do not plan to focus exclusively on China's emerging domestic market. Haier, for example, remains a strong proponent of the earlier Belt and Road Initiative and plans to extend its localisation strategy to manufacturing and sales in regional locations.

As trade flows continue to be disrupted: from lockdown induced port closures to ongoing trade disputes, it's no surprise that 29% of China's leaders identify 'supply chain' as a weakness to address over the next 12 months – nearly double that of their global peers. One infrastructure and capital projects CEO intends to "shorten supply chains and simplify communication processes" in order to make the most of turning the health crisis into an opportunity.

China's businesses have certainly proved adaptable to the disruptions in 2020. 92% agreed that technological advancements will help them to overcome cross-border business challenges. China's business leaders are the most optimistic cohort of executives, with regard to this question, in our survey. One CRO in Financial Services offers that this nuanced approach will turn the health crisis into an opportunity, "In view of travel restrictions, enhance[d] interconnection of technologies as well as peer collaboration (with cross-border business being outsourced to overseas agents) [we can continue] to meet customer needs"

Figure 2: Actions China's leaders are taking to grow

Q. Which of the following actions are you planning to take in the next 12 months, in order to grow?



TECH TRANSFORMATIONS — IGNITED BY CONSUMERS, SUPPORTED BY THE GOVERNMENT

CHINA'S TECHNOLOGY SECTOR HAS GROWN RAPIDLY OVER THE LAST TWO DECADES, THANKS TO POLICIES AND INVESTMENT SUPPORT FROM LOCAL AND NATIONAL GOVERNMENTS, FOR ALL ASPECTS OF TECHNOLOGY INNOVATION. THIS HAS PROVIDED CHINA'S BUSINESS LEADERS WITH ACCESS TO LEADING-EDGE TECHNOLOGY INFRASTRUCTURE FAR BEFORE THE PANDEMIC.

Businesses operating in China have ready access to fast broadband, fast-fibre, and more recently — 5G connectivity. Last year, China's Ministry of Industry and Information Technology (MIIT) published an initiative for accelerating 5G network roll-outs and applications to minimise the impact of COVID-19 on business. In particular, the legislators are encouraging the deployment of 5G-powered medical systems, as well as VR applications for the manufacturing and automotive sectors. So it follows that 5G ranks higher in terms of technologies critical for future success than for global peers.

FROM TECH 'BRICKS' TO MORE CLICKS

Widely available telecom services, paired with affordable electronics costs, have created an ideal environment for China's hyper-connected consumer society. The country has one of the highest mobile Internet penetration rates in the world — currently at 64% and projected to reach 78% by 2025³; the highest smartphone ownership rates; and a digital-savvy young population, who's been the driving force behind the rise of mobile payments, mobile banking, and e-commerce.

To some extent, the maturity of the digital marketplace has been fueled by the rise of 'super apps' — one app, enabling seamless, integrated, and contextualised access to an array of products and services. China's big-tech players, Alibaba Group, Tencent, and Baidu have achieved cross-vertical market dominance by strategically growing their ecosystems of consumer-facing apps. For example, Tencent first launched WeChat as a social media and messenger app. After accumulating a significant user base, the company rolled-out complementary payment tools — WePay, similar to ApplePay — and then scaled the offering into a digital banking service.

Other players pursued a similar vector of product development, effectively propelling China into the new era of hyper-empowered and hyper-convenient user experience. Consequently, China's digital economy has accelerated throughout the late 2010s and hasn't been severely affected by the pandemic. Last year, over US\$2 trillion in business⁴ across sectors were transacted via mobile payment platforms. China also has one of the largest retail markets in the world (going head-to-head with the US), worth an estimated US\$5 trillion⁵.

"USING DISRUPTIVE TECHNOLOGY AND EMERGING TECHNOLOGY TO MINIMIZE RISKS,... INNOVATE BIZ MODELS TO ACCOMMODATE CHANGING ENVIRONMENT."

ACTIONS ONE ENERGY COO IS TAKING TO TURN THE CRISIS INTO OPPORTUNITIES

"ESTABLISH EXTENSIVE BUSINESS ALLIANCES AND PARTNERSHIPS,..., KEEP ABREAST WITH EMERGING TECHNOLOGIES AND NEW SERVICE ECOSYSTEMS, AND KEEP ON LEARNING"

ACTIONS ONE ENERGY COO IS TAKING TO TURN THE CRISIS INTO OPPORTUNITIES

It follows that, with a developed digital market and strong foundational technical infrastructure, China's executives are less preoccupied with the importance of cloud technologies (35%) unlike their global peers — 49%. Moreover, only 20% of business leaders in China view 'digital capabilities' as a weak area to address versus 35% globally.

CHINA'S GROWTH-FUELLING TECH TRIO

Local governments also endeavour to create a favourable climate for new technology investments for 'non-tech native' businesses, as well as new market entrants and startups. To promote further innovation, policymakers are building high-tech zones and establishing industrial funds to provide seed investment to promising projects. Investment in emerging technologies such as IoT, AI and blockchain, are prioritised.

This is certainly an advantage for China's business leaders, who see technology as the main enabler to future growth and perhaps explains why China's leaders appear to have advanced further along the maturity curve of emerging digital technologies.

The triumvirate of AI, IoT, and blockchain is the key 'enabler' for hyper-convenient customer experiences. From smart vending machines to cashier-less stores and hyper-personalised online shopping, China's tech leaders are gradually moving new-gen tech pilots from the labs to the mainstream.

China Telecom, for example, plans for national and overseas infrastructure rollouts of IoT technology. Despite the pandemic, the national telecom is still on track to installing over 2 billion IoT cellular connections by 2024⁶ to support China's businesses domestically and abroad. Some of the actively tested IoT use-cases include smart appliances, connected cars, industrial IoT solutions, smart meters and building management solutions, and wearable healthcare devices among others.

AI and IoT are ranked the top two most important technologies for future business success for business leaders in Greater China, ahead of cloud technologies and 5G.

Though companies are prioritising IoT use-cases, it's difficult to deliver market-ready applications without supporting AI technologies. Their combined importance is reflected in our data where AI and IoT are selected by nearly half of executives surveyed — 50% and 49% respectively. The emerging AI use-cases in China are primarily centred around lifestyle — virtual assistants, personal shoppers, and other 'intelligent' products and services — as well as logistics. Predictive algorithms can effectively anticipate the demand and supply, assist with inventory management, and augment asset/resources coordination at different stages of the supply chain management.

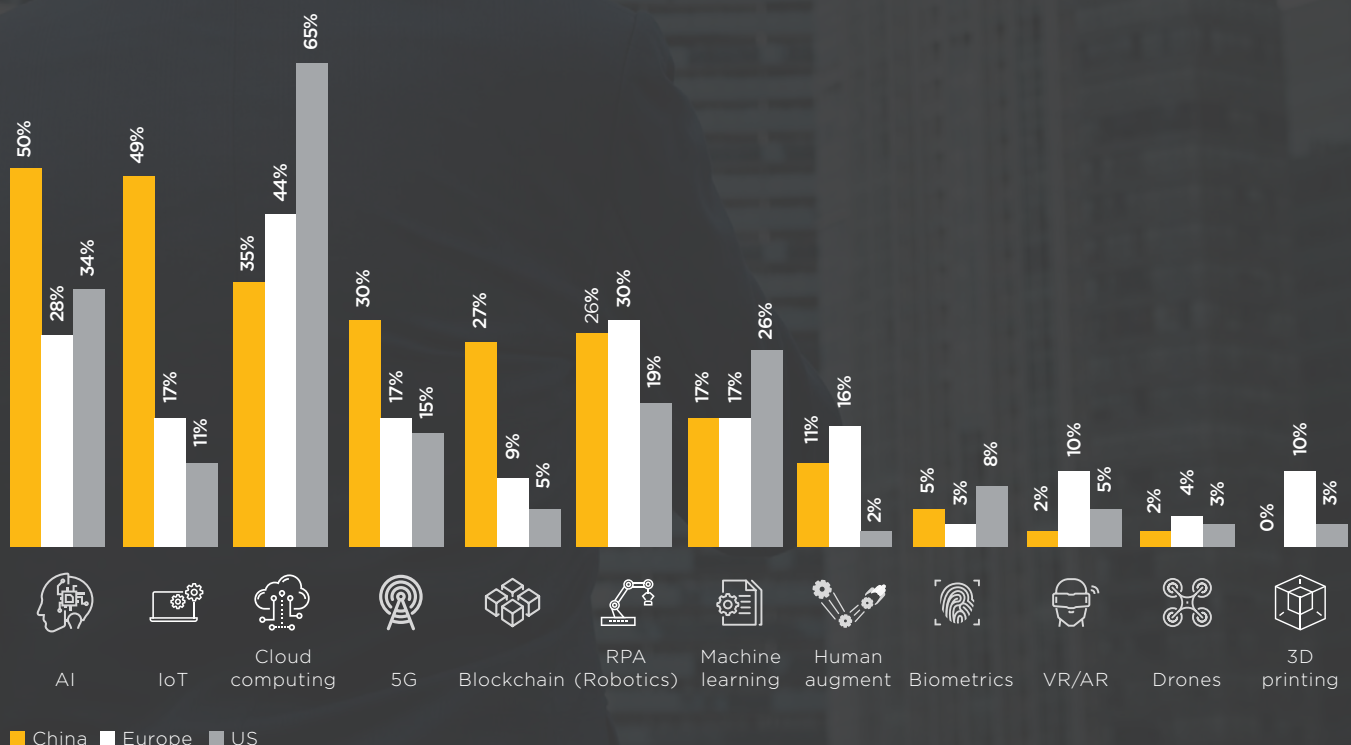
Blockchain also ranks highly on leaders' technology agendas in Greater China, whereas western leaders are less enchanted with the promises behind this technology. Only 10% of global business leaders named blockchain as an emerging technology critical for advancement for 2021 versus 27% in China.

Executives in China foresee blockchain's future potential as another 'foundational' enabler for innovation. In early 2020, an alliance of Chinese government groups, banks, and tech companies publicly launched a pilot blockchain-based service network across 100 cities. China's central government has since outlined 12 blockchain government use-cases for 2021. Already, 140 government services leverage blockchain technologies to facilitate data sharing, access to e-services for business, and epidemic control⁷.

It's no wonder that China's leaders are more confident than global peers about their digital capabilities. 20% of business leaders in Great China consider their digital capabilities an area of weakness which needs improvement in 2021, however, this rises to 35% of global business leader respondents. Access to leading-edge technology infrastructure has provided the businesses and society to stay connected from a distance, as required during the global pandemic.

Figure 3: AI and IoT most critical for success

Q. Which technological advancement will be the most important to your business's future success?





ASPIRING TO HIGHER OBJECTIVES

WITH A GROWING DOMESTIC CONSUMER BASE AND ACCESS TO A STRONG FOUNDATION OF DIGITAL TECHNOLOGIES, CHINA HAS ‘HEADROOM’ TO ADVANCE ITS STRATEGIES BOTH FOR GROWTH IN 2021 AND MORE PURPOSE-LED INITIATIVES WHICH SUPPORT THE POTENTIAL FOR CHINA’S FUTURE GLOBAL LEADERSHIP IN KEY SECTORS SUCH AS BIOTECH, ELECTRIC VEHICLES, ROBOTICS, AND RENEWABLE ENERGY.

Business leaders in China recognise the importance of a strong talent pipeline in order to innovate and drive the economy forward. Compared to global peers, leaders in China appear the most concerned about access to talent at 58%. They recognise that failure to hire, nurture and retain the best minds could pose future risks to growth. This imperative is summed up by two of China’s business leaders who explained what they were doing to turn the health crisis into opportunities for their businesses: one CFO in Financial services told us, “Innovate business model and design new products.” and a technology CEO said, “Seek out excellent talent.”

Having undergone a much shorter, but arguably stricter lockdown than other countries, 85% of China’s business leaders agree that social distancing and remote working had made it more difficult to deploy the ‘the human touch’ in their businesses. Whilst working remotely, China’s business leaders most missed collaborative working and the ability to establish trust, each mentioned by half of the executives in China.

The ability to gain trust is particularly crucial in 2021 to maintain growth momentum. If China is to remain as an economic front runner, businesses will have to focus more on business development, including cross-border initiatives. Whilst many see communication technologies as a facilitator for this, the video meetings, ‘Dingtalk’ or ‘Voom’ do not always suffice to cement important new partnerships.

Creativity is also challenging to foster for 47% of China’s business leaders. Oftentimes, creativity sparks during off-hand, cross-team exchanges that are challenging to orchestrate at a distance.

Collaboration, trust and creativity are all harder to foster as business relationships move online, and all three are critical inputs to the innovation process. Business leaders also recognise the challenges their teams face to maintain operations through further outbreaks of the pandemic. Thus, 91% agreed that staff physical and mental wellbeing is a top priority for their Human Resource department.

DIVERSITY TO DRIVE INNOVATION

Diversity of thought and talent will also be critical to drive innovation, new product development, and improve customer acumen – some of the top areas of focus, in order to drive growth over the next 12 months.

Diversity takes on a slightly different lens in China, with more emphasis on gender, age, and region than ethnicity per se. Still, 95% of executives agreed that building diversity on the board and in the workforce is increasingly important. As diversity of ideas could be critical to driving business forward in a fast-growing digital economy, 92% agreed that a more diverse and inclusive workforce will ultimately improve financial performance. These two stats are higher than any other cohort in our survey.

“IN THE MIDST OF THE PANDEMIC AND RESTRICTION ON EXTERNAL EXPANSION, [WE] TAKE THIS CHANCE TO ENGAGE IN ENDOGENOUS [INTERNAL] DEVELOPMENT, INCLUDING POTENTIAL EXPLOITATION FOR TECHNOLOGICAL INNOVATION, INTERNAL SYSTEM OPTIMIZATION, REMOTE PROFESSIONAL TRAINING FOR ALL EMPLOYEES, AND NEW BUSINESS SEMINARS.”

ACTIONS ONE ENERGY CEO IS TAKING TO TURN THE CRISIS INTO OPPORTUNITIES

As with their global peers, China’s leaders are also placing a great emphasis on creating an inclusive work environment this year. 86% agreed that at present, it has become more important to ensure equal support and opportunities for all their people. “In the midst of this pandemic, we decided to pay employees higher salaries...”, a CEO from the Real Estate & Construction company noted.

Allocating more attention to employees’ needs is a sound decision given that strict and rapid closures of certain provinces have created certain societal tensions, along with a short spike in unemployment. Such a staunch commitment to equality, diversity and inclusiveness is certainly noteworthy, however not easily delivered in practice.

COMMERCIALISING GREEN GROWTH OPPORTUNITIES

As the domestic consumer market continues to expand, brand image becomes more and more critical, especially with bullish plans for growth in consumer markets. Unsurprisingly, an impressive 92% of executives we interviewed believe that their response to events that impact society reflects on the brand reputation and customers’ perception of their business. Interestingly, 67% of China’s business leaders are as concerned about the impacts of social instability — on par with their level of concern over the risks to growth, steered by COVID-19 (the biggest threat for global peers at 81%).

Around the globe, consumers and investors are demanding greater transparency, sustainability, and ethics in corporate practices. International regulators are also vocal for businesses to not just acknowledge, but address and re-assess their operations in line with the new climate charters. China’s government has already demonstrated its acknowledgement of the link between sustainability and positive economic outcomes and has pledged to achieve carbon neutrality by 2060.

Looking back to the 2010s, China indeed managed to achieve significant ‘green’ progress. Within a relatively short span, the country shifted from being a heavily-industrialized and pollution-averse powerhouse to leading the way in green energy production and ‘clean’ sources innovation. The nation is already the world leader in electricity production from renewable energy sources and has the world’s largest installed capacity of hydro, solar, and wind power.

China has not rushed in to abandon heavy industries or assets. Instead, both government and business leaders are making strategic investments in green ‘updates’ to legacy assets to build a sustainable foundation for tomorrow’s markets. For example, to power the technology revolution and offset China’s dependence on oil, the government is exploring biomass energy and hybrid solar production. Last year, China built more solar-generation systems than any other global economy, in addition to heavily investing in new high-voltage lines to transmit the generated green energy across the country with minimal losses⁸.

In combination with the nation’s digital eminence (AI, IoT, blockchain, cloud, and 5G), advances in clean energy production could give China’s businesses advantages in the emerging e-transportation market, as well as autonomous driving. No wonder that 89% see the economic recovery process as an opportunity to reposition their business for profiting in the low-carbon economy of the future. This figure is ten percentage points higher than global peers.

To some extent, such change is also induced by the increased range of subsidies for clean fuel, as well as the adoption of the first-of-its-kind government-backed ‘Green Bond Market’ that has set a high bar for impact investing. Both the nation’s government and business leaders seem to be aligned on the idea that cleaner energy production and reduced reliance on non-renewables is the key to unlocking new growth opportunities.

CHALLENGES TO GROWTH IN 2021

A COMBINATION OF STRONG BUSINESS CONFIDENCE, INFRASTRUCTURE READINESS AND TIMELY GOVERNMENT SUPPORT FOR SECTORS WORST PLACED BY THE EFFECTS OF COVID-19, HAS ENSURED CHINA'S BUSINESS LEADERS ARE WELL-POSITIONED FOR GROWTH OVER THE NEXT 12 MONTHS AND BEYOND.

It's no surprise that 83% of the leaders we surveyed are confident in their ability to successfully steer the business in a new direction in response to the impact of COVID-19. The economic outlook is certainly positive. However, vulnerabilities persist, which could derail business plans for 2021, regarding trade risks, innovation, and aspirations for greener and cleaner growth.

1 RISKS OF FURTHER TRADE DISPUTES

A lot can happen in a year, as 2020 has shown us. The global business environment is likely to remain challenging and highly uncertain.

China is likely to continue to face tensions with some major bilateral trading partners around both trade and tariffs, as well as technology standards. These will weigh negatively on export markets and contribute to slower growth in some sectors including.

Plus, despite very effective efforts to suppress the spread of the virus, new COVID-19 outbreaks could further disrupt economic activity, particularly manufacturing and supply chains in 2021.

CONSIDERATIONS IN PREPARATION FOR FURTHER TRADE DISRUPTION:

- How frequently do you review your product/service portfolio, to take advantage of changes in trade alliances which are in flux?
- Are there opportunities to shift production to make the most of new business partners in low tariff arrangements?
- Is there further potential in serving the growing tech-enabled affluent domestic market?
- Where are the ideal partnerships and strategic alliances you need access to grow?

2 THE INNOVATION IMPERATIVE

Nearly half of the executives we surveyed are focusing on enhancing their ability to innovate. It tops the list of capabilities business leaders in China are seeking to improve.

With strong technology infrastructure and a growing consumer market, hungry for the next big thing, innovation is definitely key to the next phase of growth for Chinese businesses.

Most beneficial will be innovation over and above China's advanced technological and engineering-led innovation. The kind of innovation which rethinks operating models and pioneers new products and service offerings.

CONSIDERATIONS FOR BUSINESSES AIMING TO GENERATE MORE INNOVATION TO DRIVE GROWTH:

- What can your leadership team do to encourage more bottom-up innovation (from your people in the front-line) vs top-down styles of innovation?
- How might you instill a real spirit of entrepreneurship in your R&D teams?
- Could you give your team the permission to be outspoken about their ideas and think freely and creatively beyond the current operating model and product/services conventions?
- What more can you do to enable your innovations to hit the market more rapidly?

3 ACHIEVING HIGHER ASPIRATIONS

In common with other business leaders around the globe, China's leaders aspire to create a more diverse and inclusive workforce and most agree that it has become more important to ensure equal support and opportunities for all their people, during the pandemic.

Plus, executives in China, more than any other country cohort we surveyed, also agreed that the business recovery process is an opportunity to make changes to our business in order to profit in the low-carbon economy of the future.

Both are laudable and purpose-led ambitions, however, neither are easy to deliver in practice. The former relies on generational culture change across business and society which can't happen overnight. The latter will require continued government investment in new ways to grow, build and move people, products and services — essentially entirely new ways to power China's vast economy forward.

CONSIDERATIONS FOR BUSINESSES AIMING TO ACHIEVE HIGH SOCIETAL ASPIRATIONS:

- Do you have a diversity policy in place which will help you to recruit the innovative thinkers and business leaders of tomorrow?
- What steps have you got in place to mitigate future risks of reliance on fossil fuels?
- How are you taking advantage of China's lead in green energy production to create new and novel consumer products and services?
- What role can your business play to drive the government's net-zero carbon target?

The challenges to deliver on these high aspirations cannot be underestimated. However, both China's government and business leaders seem to be aligned on the idea of enabling a cleaner, greener, and more liveable nation for a growing consumer base seeking both this and continued prosperity.

The challenges presented by 2020 have already ushered in structural changes in the global economy, many of which have accelerated the end of some sectors and the beginning of others. In many ways, business leaders in Greater China are already seeking out new differentiated growth opportunities which present themselves at points of disruption and change.

Future winners will find that the pandemic has provided a helpful catalyst to further adapt their business models, leverage leading-edge digital transformation and ensure a strong pipeline of innovative ideas required to propel China's economy forward through the next decade.

“CONTINUE TO REFORM AND OPEN UP AND INSIST ON TECHNOLOGICAL INNOVATION TO MEET THE CHANGING MARKET DEMANDS IN TERMS OF BOTH PRODUCTS AND SERVICES,”

ACTIONS MANUFACTURING CEO IS TAKING TO TURN A CRISIS INTO OPPORTUNITIES

RESEARCH METHODOLOGY

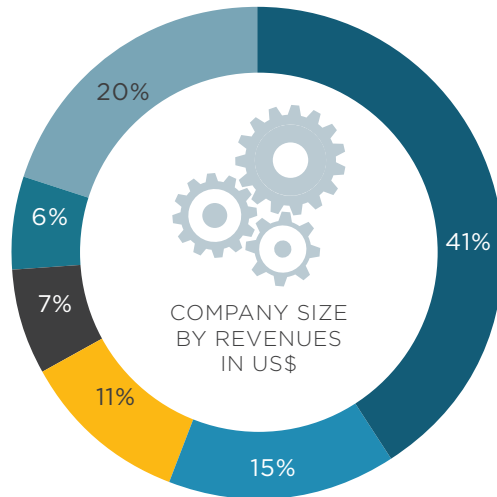
BETWEEN SEPTEMBER AND NOVEMBER 2020, HLB HAS COLLECTED 66 SURVEY RESPONSES FROM BUSINESS LEADERS ACROSS CHINA, MADE UP OF 4 IN HONG KONG SAR AND 62 ON THE MAINLAND AS PART OF HLB'S SURVEY OF BUSINESS LEADERS 2021. RESPONSES WERE COLLECTED VIA AN ONLINE SURVEY TOOL OR TELEPHONE INTERVIEW.

The research sample was selected and controlled via HLB firms with their CRM data.

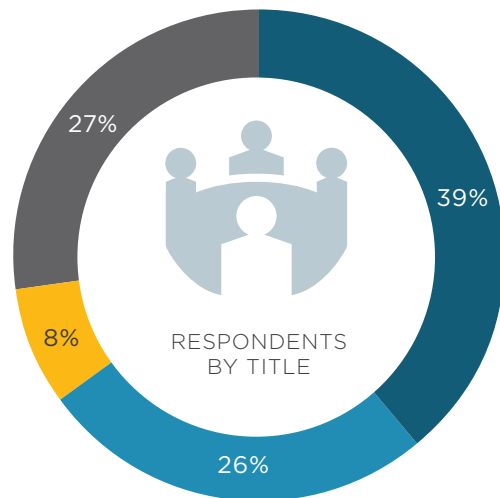
Note that not all figures in this report sum up to 100% as a result of rounding percentages, excluding neutral responses or when respondents could choose more than one answer. The base for all figures is 66 (all respondents) unless otherwise indicated.

More data and information about this survey is available upon request. Please contact:

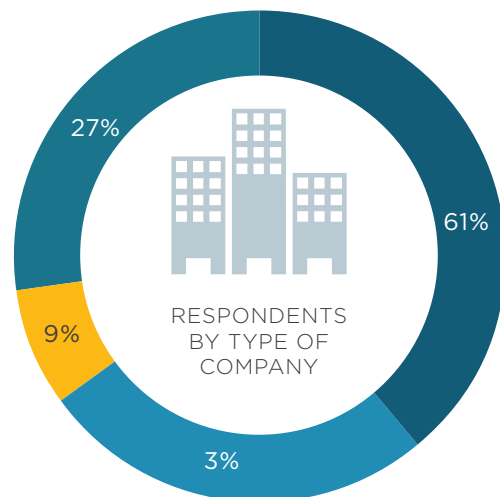
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■ < \$25M ■ 25M - 50M ■ \$50M - 100M
 ■ \$100M - 250M ■ \$250M - \$500M



■ CEO ■ CFO ■ COO ■ Other C-suite titles



■ Private ■ Family-owned ■ Not for profit ■ Publicly listed



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Endnotes

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