

A photograph of two giant pandas sitting on the ground, surrounded by green bamboo. One panda is on the left, and the other is on the right, both appearing to be eating bamboo. The background is a soft-focus natural setting.

## KPMG expands footprint in China Chengdu office opens

Lying in the heart of south-western China, Chengdu, the capital of Sichuan province, has had a major influence on China throughout her history.

Strategically located on the Southern Silk Road, Chengdu has served as an important outpost in the region for at least 2,300 years. This history - characterised by an open, inclusive and cosmopolitan culture, has given rise to some of the world's greatest innovations, including paper money and man-made irrigation, as well as a fiery cuisine that is renowned the world over. Sichuan Province alone is home to four UNESCO World Heritage Sites.

On 25 September, this city became the location of KPMG's western-most office in mainland China. KPMG now has nine offices across China – in Beijing, Qingdao, Shanghai, Hangzhou, Chengdu, Guangzhou, Shenzhen, Hong Kong and Macau.

### **Well positioned**

Despite its location far from the traditional investment centres along China's eastern seaboard, Chengdu has been attracting the attention of foreign investors from around the globe in recent years.

This is due, in part, to the national government's drive to open up the West of the country, in an effort to stem deepening economic and demographic disparities. This drive, dubbed the "Go West" policy, was at the forefront of the government's latest five-year plan, setting the stage for further investment incentives – for both domestic and foreign enterprises – through to 2010.

Our new office in Chengdu will mean that we are well positioned to address the rapidly expanding domestic privately-owned enterprise market, as well as expand our commitment to quality for multinationals expanding in Sichuan Province.

KPMG Advisory (China) Ltd – Chengdu Branch, as the new office is officially known, will provide tax advisory, financial advisory and business advisory services to domestic state and privately-owned enterprises, and multinational clients.

In addition to providing exciting new career opportunities for existing staff, KPMG is expected to recruit a significant number of graduates from the many top-class local universities.

## Quick facts

### Chengdu (2005)

Population: 10.8 million

Total GDP: USD 29.2 billion (up 13.5%)

Per capita GDP: USD 2,500 (up 14.3%)

Total utilised FDI: USD 0.55 billion (up 65.8%)

Mobile phone use: 7.9 million subscribers (up 20%)

### Sichuan Province (2005)

Population: 87.5 million

Total GDP: USD 91.2 billion (up 12.6%)

Per capita GDP: USD 1,037 (14.76%)

Total utilised FDI: USD 1.1 billion (up 11%)

Mobile phone use: 16.90 million subscribers (up 11.6%)

### Source:

Chengdu Statistics Information Network, <http://www.cdstats.chengdu.gov.cn>

## Major companies in Chengdu

Chengdu has established itself as a leading investment centre. A 2005 World Bank report identified the Chengdu region as the number one destination for investment by multinationals in the whole of western China. The city is listed by Forbes as one of the world's top Emerging Cities for business, and over 100 the world's top 500 companies are already established there.

Just a few of the names on the long list of world-renowned companies in the city are:

- Intel
- IBM
- Cisco
- Citigroup
- Microsoft
- HSBC
- Motorola
- BNP Paribas
- Canon
- Nestle
- HP
- Philips
- Epson
- Volkswagen
- Unilever
- Sumitomo
- Pepsi
- Sony

Sources: *China Foreign Enterprise Directory, 3rd Edition (2006)*

In addition, Chengdu is a hot-spot for the burgeoning domestic private sector. Many of these enterprises are household names in China, and, with the government pledging to provide support, the number and scale of these firms are expected to rise rapidly.

## Chengdu: China's Silicon Valley?

Chengdu is located over 1,500 kilometres southwest of Beijing, and 600 kilometres from Xi'an. In the West of the Sichuan Basin, and in the heart of the fertile Chengdu Plain, Chengdu benefits from plentiful natural resources, in addition to favourable central government policies.

The industrial base is very broad, including light and heavy manufacturing, aluminium smelting and chemicals. The textiles industry remains important, with cotton and wool milling added to the traditional manufacturing of silk brocade and satin.

However, recent years have seen Chengdu emerge as the leading research and development area in western China. According to Forbes, "Companies like Motorola, Intel and Microsoft have established a major presence in this western boomtown. Thanks to government support, Chengdu is fast becoming China's Silicon Valley, drawing smart young workers from all over the country."

## KPMG's China Desk network

For up-to-date information and advice on investing in China, please contact one of our China Desk network representatives.

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## Location of Chengdu in China



There are ten government-designated special economic zones in Sichuan Province – three in Chengdu city itself – designed to stimulate inbound investment by providing favourable economic policies, such as tax breaks. One zone in particular – Chengdu Hi-Tech Zone – stands out as the most successful special economic zone in western China and a symbol of the city's drive towards a globalised economy. According to government statistics, European and American enterprises such as Alcatel, Microsoft and Intel accounted for more than 40 percent of total investment, followed by Hong Kong, Taiwan and Japanese firms. The IT sector is the largest and most productive in the Hi-Tech Zone, with IT taking advantage of the wealth of human resources, electronic expertise and the various incentives provided by the zone and the municipal government.

Recognising the potential for expansion of the service sector, and with the rise of the white collar demographic in the city, the Chengdu government is also working to establish the city as a service outsourcing base – attracting domestic and multinational service businesses to the city.

In addition, Sichuan Province and the Chengdu region have long been considered the capitals of Traditional Chinese Medicine – and as a result, pharmaceuticals is another keen focus of research in the region.

Research is bolstered by a strong academic background – Chengdu is home to 22 universities, and over 2,700 research institutes of various kinds.

Chengdu is the transport and logistics hub of western China, and sports a brand new international airport – China's fifth largest, offering connections to major cities in Asia. KLM has announced a direct flight to Europe starting this summer. In addition, Chengdu is China's main gateway into Tibet.

## Contact us in Chengdu

### **KPMG in China and Hong Kong SAR**

In 1992, KPMG was the first international accounting firm to be granted a joint venture license in China, and our Hong Kong operations have been established since 1945. This early commitment to the China market, together with our unwavering focus on quality, has been the foundation for accumulated industry experience that is difficult to rival.

With nine offices and more than 5,200 staff, our single management structure allows efficient and rapid allocation of resources wherever you are located in China.

### **About KPMG**

KPMG International is the coordinating entity for a global network of professional services firms, providing audit, tax, and advisory services, with an industry focus. The aim of KPMG International member firms is to turn knowledge into value for the benefit of their clients, people, and the capital markets. With more than 104,000 people worldwide, member firms provide audit, tax, and advisory services in 144 countries.

For more information on our new office, and how we can help you in Chengdu, please contact us.



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KPMG Advisory (China) Limited, Chengdu Branch was issued with a Chengdu business license by the Chengdu Administrative Bureau for Industry and Commerce on 9 August 2006.

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