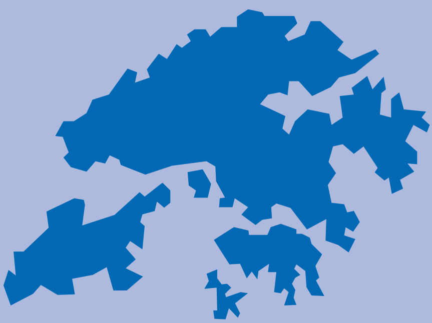
Grant Thornton

Hong Kong



The Grant Thornton International Business Report (IBR) 2007 examines the attitudes, plans and trends of 7,200 businesses in 32 countries across six continents. IBR builds on data collected in previous surveys* and boasts 15-year trend data for EU countries and 5-year trend data for international participants.

This year's survey reveals that businesses in most countries remain optimistic about economic prospects for the year ahead. For the fourth consecutive year, India tops the league table as the most optimistic country with an optimism/pessimism balance** of +97%, whilst Japan is at the bottom this year with a balance of -5%. Meanwhile, businesses in the UK are significantly more optimistic about 2007 (+43%) than they were about 2006 (+8%).

Businesses in East Asia*** are more optimistic than in any other global region, and although levels of optimism do vary throughout the East Asian countries/territories, overall optimism has risen significantly. This year over half of all East Asian businesses are positive about their country's economy (+54%) compared to a balance of +42% in 2006. East Asia continues to present a very mixed picture however, with optimism/pessimism balances ranging from +88% in the Philippines to -5% in Japan.

Although growth slowed from the highs of 2004-05, 2006 data showed that economic activity in Hong Kong remained robust, with GDP expanding by 6.9%. Consumer spending, boosted by falling interest rates, a healthy labour market, rising incomes and the impact of tourist arrivals particularly from the mainland, posted growth at over 5%. Domestic demand was also boosted by a 7.0% rise in fixed investment, while exports remained on a strongly rising path. Inflation at 2.1% was below levels in other large economies, contributing to the healthy economic situation.

* the European Business Survey (EBS) charted the views and trends of privately held businesses in Europe between 1993 and 2002. This was followed by the International Business Owners Survey (IBOS) which ran from 2003 to 2006.

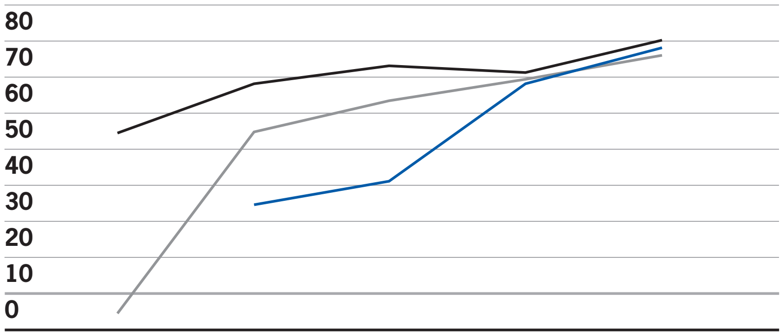
** the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

*** for the purposes of IBR, the term 'East Asia' refers to those East Asian economies covered by IBR – mainland China, Hong Kong, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

Business expectations/turnover

- Businesses in Hong Kong are more optimistic about turnover prospects (+66%) than they were in 2006 (+59%).
- Their levels of optimism regarding turnover performance are however, marginally lower than the East Asian average (68%).
- In terms of profitability, businesses in Hong Kong are more optimistic for the coming year than businesses globally (+59% compared to +52%).

Turnover expectations (% balance*)



	2003**	2004**	2005**	2006	2007
Global	44	58	63	61	70
East Asia	–	24	31	58	68
Hong Kong	-7	44	53	59	66

* the balance is the proportion of companies reporting that they are optimistic less those reporting that they are pessimistic

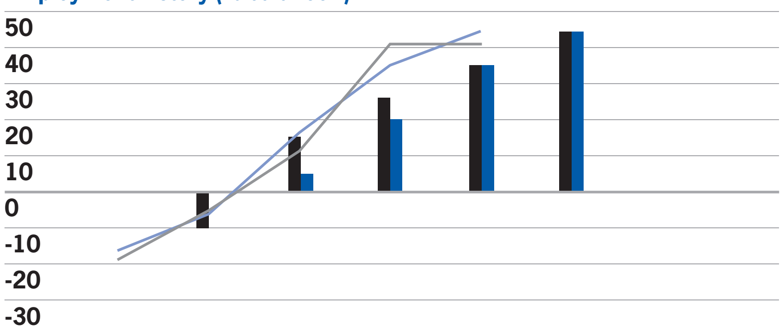
** East Asia and global figures exclude mainland China for these years

Source: Grant Thornton International Business Report 2007

Employment

- A balance of 44% of Hong Kong businesses expect employment growth to increase in 2007 (9% more than in 2006).
- This is in line with the East Asian average for expected employment growth which also increased from 35% to 44% from 2006 to 2007.
- Actual reported employment growth in Hong Kong however, has remained unchanged (41% in 2005 and 2006).

Employment history (% balance*)



	2002**	2003	2004	2005	2006	2007***
Act. Hong Kong	-19	-5	11	41	41	–
Exp. Hong Kong	–	-10	16	27	35	44
Act. East Asia	-17	-6	17	35	44	–
Exp. East Asia	–	–	5	20	35	44

* the balance is the difference between the proportion of businesses indicating an increase and those indicating a decrease

** 2002 expected data not available

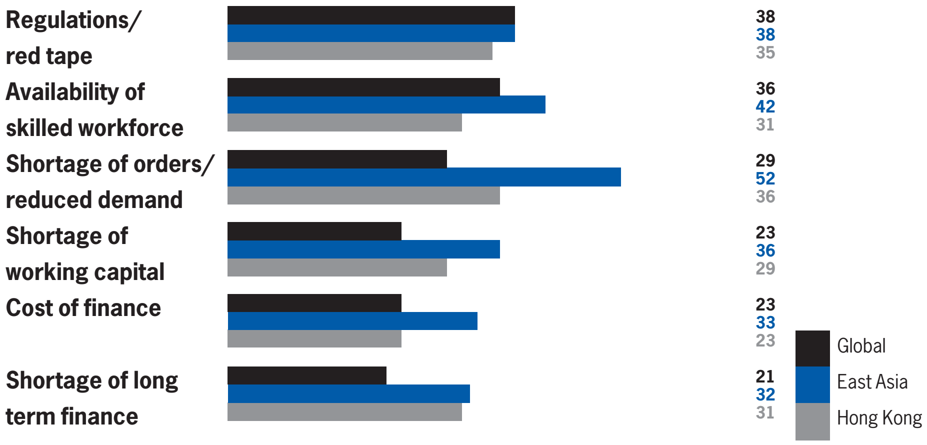
*** 2007 actual data will be documented in IBR 2008

Source: Grant Thornton International Business Report 2007

Constraints

- Shortage of orders/reduced demand (36%) and regulations/red tape (35%) are the most restricting constraints on expansion for businesses in Hong Kong.
- Regulations/red tape is even more of an issue (38% for both) globally, and across the rest of East Asia.
- All these factors are far more of an issue for businesses in the rest of East Asia (particularly shortage of orders/reduced demand) than for Hong Kong businesses.

Constraints (%*)



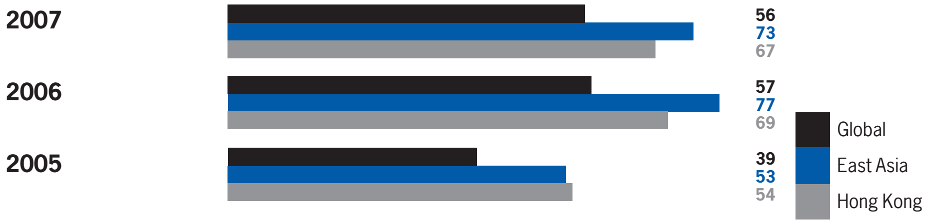
* % companies rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint

Source: Grant Thornton International Business Report 2007

Stress levels

- This year, the proportion of business owners in Hong Kong reporting an increase in stress levels is slightly lower than 2006.
- 67% report that they have experienced a rise in stress levels, 11% more than the global average but still less than the East Asian average (73%).
- In order to gain insight into how business owners manage stress, we also asked about how many hours they work a week. On average, business owners in Hong Kong work 54 hours per week, slightly higher than the global average of 53 hours.

Rise in stress levels (%*)



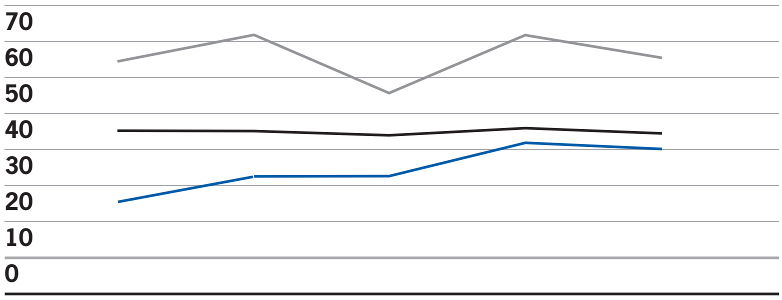
* % of respondents indicating that stress levels had increased or increased significantly over the past year

Source: Grant Thornton International Business Report 2007

International trade

- The proportion of Hong Kong companies exporting has decreased in the last year. 56% of Hong Kong companies now export, 6% less than in 2006.
- This is significantly higher than both the East Asian average (30%) and the global average (34%), both of which have also fallen slightly since 2006.

Proportion of businesses exporting (%)



	2003	2004	2005	2006	2007
Global	35	35	34	36	34
East Asia	16	22	22	32	30
Hong Kong	54	62	46	62	56

Source: Grant Thornton International Business Report 2007

Globalisation

- Hong Kong businesses are much more likely to see globalisation as an opportunity than a threat to their business, with 71% viewing it as an opportunity and 23% viewing it as a threat.
- Businesses are less likely to see globalisation as a threat both in East Asia (17%) and globally (18%), than businesses in Hong Kong (23%).
- However, businesses in East Asia and globally are also less likely to see globalisation as an opportunity (56% and 55% respectively) than businesses in Hong Kong (71%).

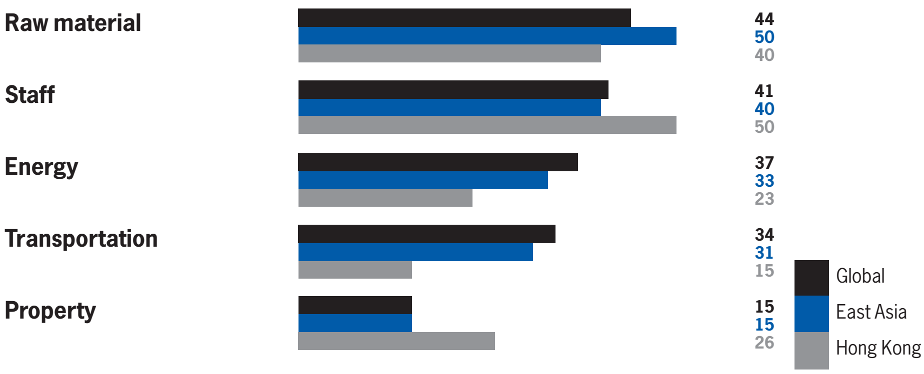
Impact of Globalisation (%)

Source: Grant Thornton International Business Report 2007

Impact on cost pressures

- Half of all Hong Kong businesses expect staff costs to have a major impact on their cost pressures over the coming year.
- All other cost pressures are below the East Asian and global average except for property costs (26%).
- A considerable proportion of Hong Kong businesses also expect raw material costs (40%) to have a major impact on their costs pressures over the coming year.

Major impacts on cost pressures



Source: Grant Thornton International Business Report 2007

Hong Kong's GDP growth will come off recent highs in 2007, but is continuing at a robust pace, around 5.5%. Business and consumer sentiment are high and household consumption remains strong, with growth at near 4.5% in prospect, largely offsetting a slowdown in fixed investment and somewhat slower export growth to mainland China and the US. Inflation remains benign at little over 2% and the external accounts show a healthy surplus.

To find out more about the Grant Thornton International Business Report (IBR) and to obtain copies of topical supplements, including focuses on emerging markets, energy and environmental issues and European business, please visit www.internationalbusinessreport.com. Summaries are also available for each of the 32 participating countries, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against those of businesses around the world.

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Participating countries/territories

Argentina	Ireland	Russia
Armenia	Italy	Singapore
Australia	Japan	South Africa
Botswana	Luxembourg	Spain
Brazil	Mainland China	Sweden
Canada	Malaysia	Taiwan
France	Mexico	Thailand
Germany	The Netherlands	Turkey
Greece	New Zealand	UK
Hong Kong	Philippines	US
India	Poland	

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