



AmCham

**AMERICAN CHAMBER OF COMMERCE
IN HONG KONG**

**2008
BUSINESS OUTLOOK SURVEY**

Conducted by

nielsen
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January 2009

EXECUTIVE SUMMARY

HONG KONG

- ❖ Hong Kong enjoyed a positive business environment in 2008 but the adverse effects from the global financial crisis that began in the fourth quarter will show its full impact in 2009, affecting over three quarters of AmCham member companies' performance forecasts.
- ❖ Although the impact from the crisis is evidently sharp in 2009, a majority of respondents are holding a cautiously optimistic outlook that the economy and business environment will gradually improve by 2011.
- ❖ Under the current business environment, over half of the respondents indicated that they will operate 'business as usual' in 2009.
- ❖ Despite the effects of the global financial crisis, a majority of member companies with headquarters in the SAR will also maintain their current level of operations.
- ❖ To try and counter the effects of the poor business environment, many member companies have already taken measures to realign business plans to seek new customers and reduce operational expenses.
- ❖ Maintaining the competitive edge will become increasingly important and Hong Kong should not rest on its laurels and rely on its traditional strengths. The SAR needs to focus on improving the important fundamentals that make Hong Kong such an attractive place to invest, work, and do business.
- ❖ Some recommendations for improvements include raising the level of English language proficiency, building a much stronger talent pool of high quality personnel, as well as addressing the critical quality of life issues which include effective measures to improve the natural environment.

MAINLAND CHINA

- ❖ Companies investing in Mainland China remain focused on domestic market expansion opportunities and tapping into the growing economy, which remains relatively positive compared to the Hong Kong economic outlook.
- ❖ Hence, Hong Kong's gateway role is becoming increasingly important to help companies seize the growing business opportunities connected between China and the international markets.
- ❖ To foster a healthy and favorable market environment, important issues hindering trade needs to be resolved so that business and entrepreneurial activities with China remain vibrant and at its best.

1 ABOUT THE SURVEY

The **2008 Business Outlook Survey** was carried out by The Nielsen Company on behalf of the American Chamber of Commerce in Hong Kong. AmCham has commissioned the annual Business Outlook Survey since 1990.

1.1 RESEARCH OBJECTIVES

This year the Business Outlook Survey focused specifically on:

- Tracking AmCham members' views on the business environment in Hong Kong and Mainland China;
- Establishing the commitment and business confidence of AmCham member companies in the Hong Kong and Mainland China markets over the next three years;
- Determining views and opinions of member companies toward trade and investment issues in Hong Kong and Mainland China;
- Providing an update of Hong Kong and Mainland China operations among AmCham member companies; and
- The impact of the current Global Financial Crisis on member companies in Hong Kong

1.2 RESPONSE RATE

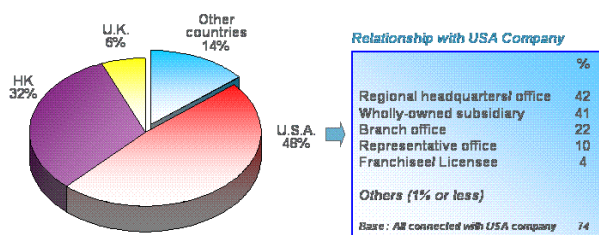
The AmCham 2008 Business Outlook Survey was conducted online and questionnaires were emailed out to 710 company representatives and individual members on November 27, 2008. A total of 155 completed questionnaires were collected on or before December 19, 2008. The response rate was 22%, compared to 20% in 2007. The margin of error is $\pm 8\%$.

1.3 COMPANY PROFILES AND AMCHAM MEMBERS

Of the total number of respondents, 48% of AmCham member companies are based in the USA, 32% in Hong Kong, and 6% in the United Kingdom. Our members represent important industry sectors of Hong Kong's economy and some of these industries include: Sales/Marketing (14%), Financial Services (10%), Transportation/Logistics (10%), Legal Services (8%), and Trade Services (8%),

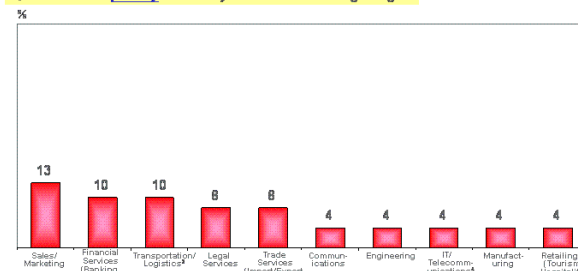
NATIONALITY OF PARENT COMPANY

Q2: What is the nationality of your parent company?
Q3: What is your Hong Kong company's relationship with the USA company?



PRIMARY NATURE OF BUSINESS IN HONG KONG – I

Q1: What is the primary nature of your business in Hong Kong?



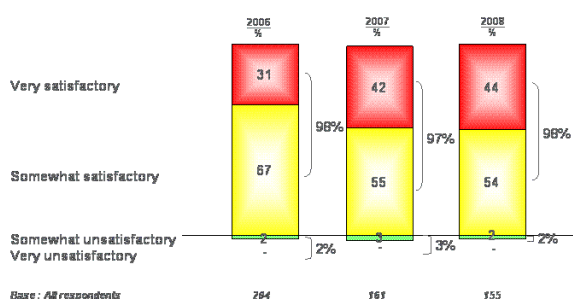
2 HONG KONG BUSINESS ENVIRONMENT & GENERAL OUTLOOK

2.1 IMPACT OF THE GLOBAL FINANCIAL CRISIS

Despite a relatively good business environment assessment for the year 2008 in general, a majority of member companies have already been feeling the pinch from the effects of the global financial crisis that was slowly building up in last quarter. Survey results reveal that 76% of AmCham member companies were negatively impacted in various degrees. But some (17%) managed to seize business opportunities in the crisis.

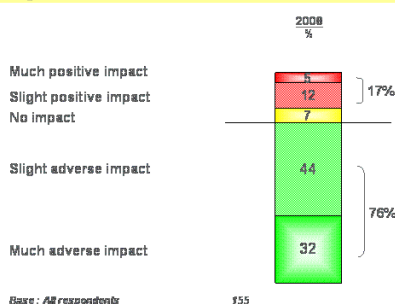
OVERALL SATISFACTION WITH HONG KONG'S BUSINESS ENVIRONMENT

Q6: Please indicate your overall satisfaction with Hong Kong's business environment.



IMPACT OF GLOBAL FINANCIAL CRISIS

Q33: To what extent has the current global financial crisis impacted on your business in Hong Kong?

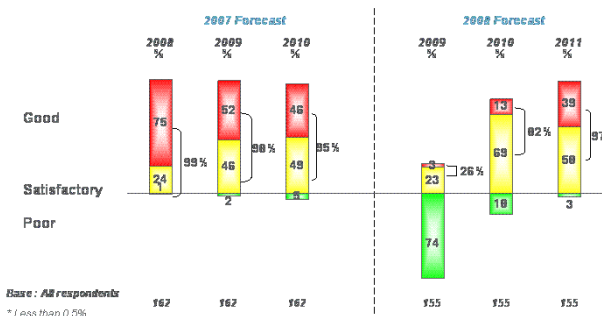


2.2 ECONOMIC OUTLOOK AND BUSINESS FORECAST

From the following two charts, AmCham members foresee that the full impact of the global financial crisis will quite clearly be evident in 2009 with 74% forecasting a 'poor' economic outlook and 61% giving the same assessment for the business environment. Looking further ahead, respondents hold a cautiously optimistic outlook that 2010 and 2011 will gradually rebound back to a more stable environment for investments.

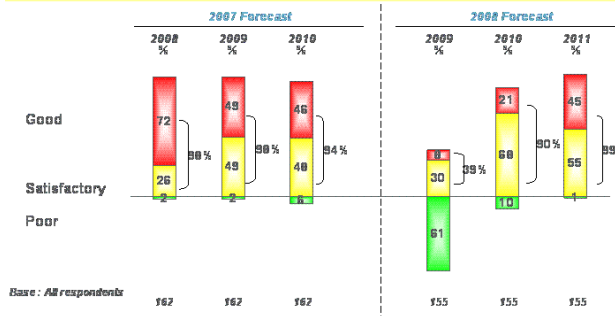
FORECAST OF HONG KONG'S ECONOMIC OUTLOOK

Q8: How do you rate Hong Kong's economic outlook in:



FORECAST OF HONG KONG'S BUSINESS ENVIRONMENT

Q7: How does your Hong Kong company consider the outlook for the business environment in HK in the following years?

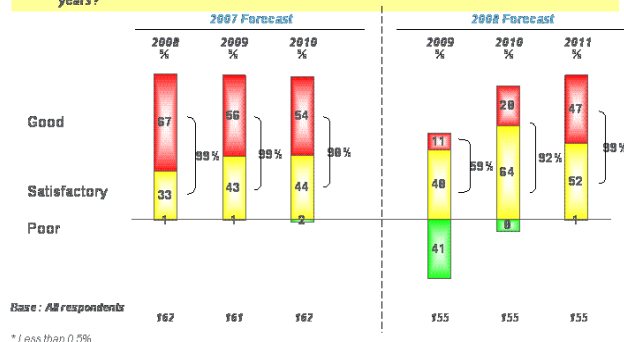


2.3 HONG KONG COMPANIES' PLANS AND OPERATIONS

In the backdrop of a poor economic and business environment, 41% of the survey respondents forecast 'poor' performances in their Hong Kong operations for 2009. However, results also show that a majority of the respondents foresee company performances will soon begin to rebound in 2010 and 2011. Unaffected by the global financial crisis, the survey also reveals that some companies will be expanding their operations (34%) over the next three years. But for most companies, they choose to maintain the 'business as usual' (55%) mode.

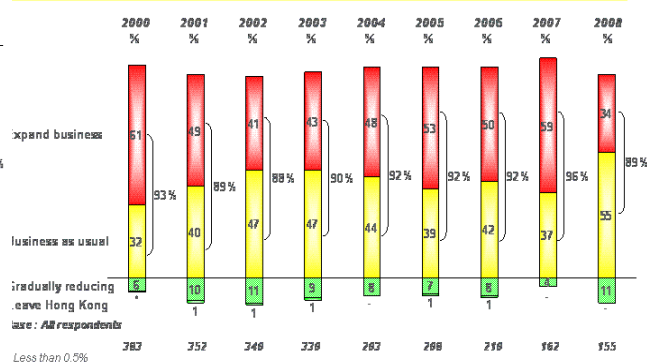
FORECAST OF HONG KONG COMPANIES' OVERALL PERFORMANCE - II

Q11: How do you foresee your Hong Kong company's overall performance in the following years?



HONG KONG COMPANIES' PLANS FOR NEXT 3 YEARS

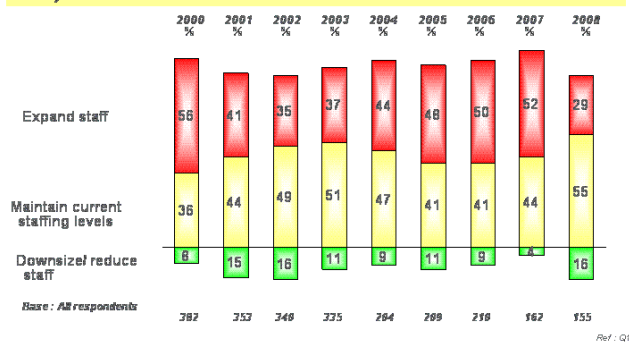
Q9: What are your Hong Kong company's plans in Hong Kong over the next three (3) years?



Complimentary to the proportion of companies that are maintaining the current level of operations over the next three years, the exact percentage of respondents (55%) also indicate that their staffing levels will remain unchanged. Those struggling from the current business environment will be seeing themselves gradually reducing human resources over the next three years. Some of the most common measures taken to adjust to the adverse impact of the global financial crisis include: seeking new or more customers (65%), changing business plans for capital expansion or other growth initiatives (57%), holding salary increases and bonus payments (50%), and changing investment strategies (32%).

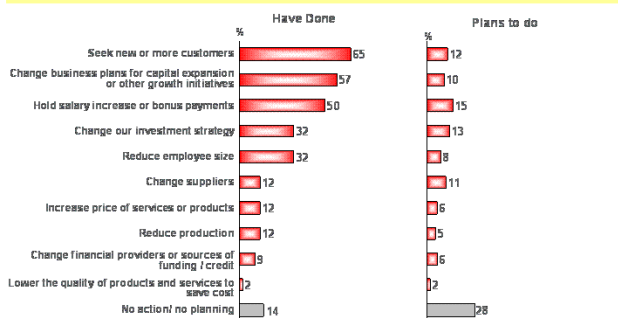
HONG KONG COMPANIES' HUMAN RESOURCES PLANS FOR NEXT 3 YEARS - II

Q10: What are your company's human resources plans in Hong Kong over the next three (3) years?



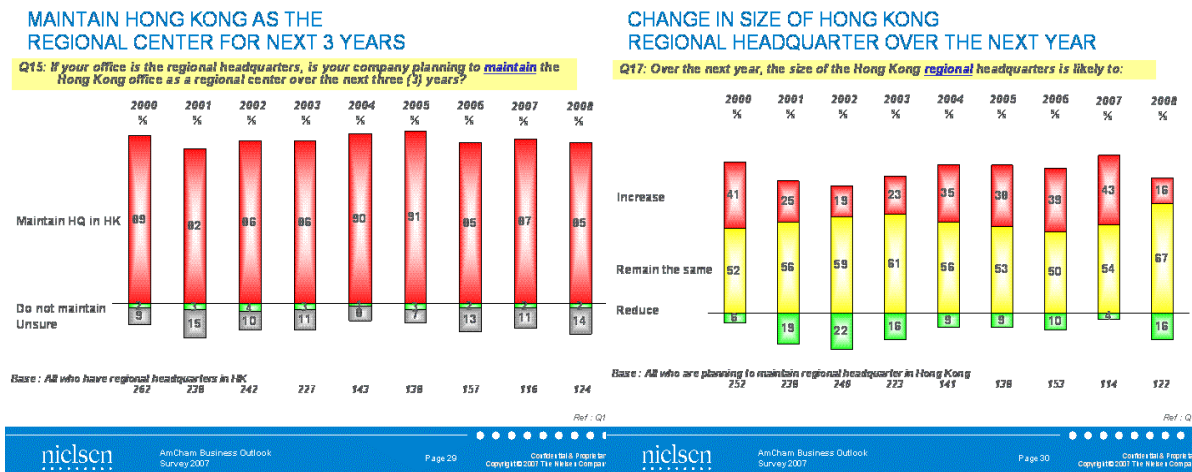
ACTIONS AS A RESULT OF THE GLOBAL FINANCIAL CRISIS

Q34: Which, if any, of the following have you done or are planning to do as a result of the current financial crisis?



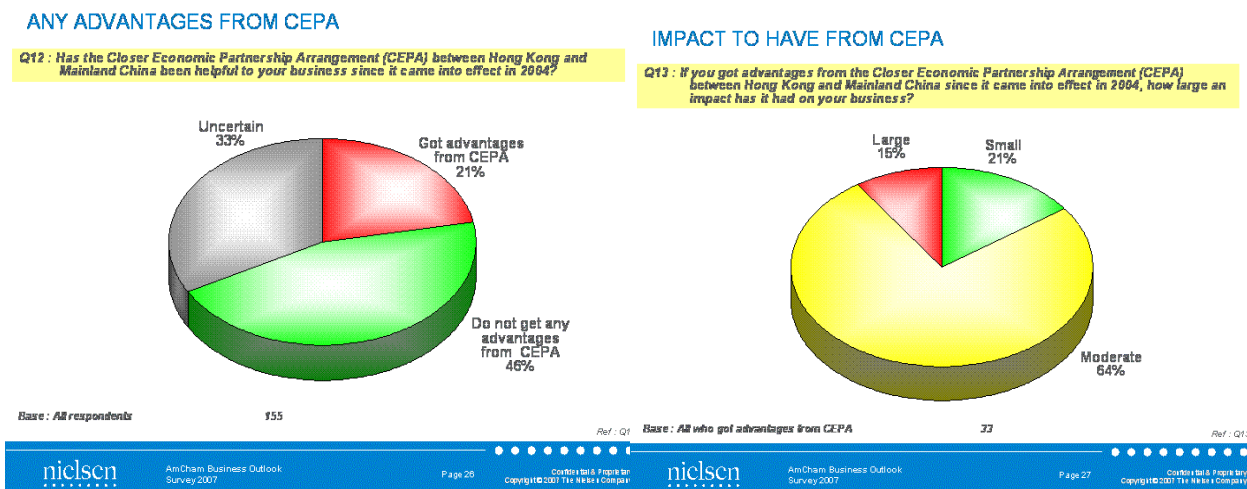
2.4 HONG KONG AS THE REGIONAL CENTER FOR ASIA PACIFIC

According to survey results, 80% of respondents indicated that they see Hong Kong as their location of choice to head their operations in the region. This preference will not likely change in the next three years as 85% of those member companies plan to maintain their headquarters in the SAR. Of these head offices, 16% will undergo expansion, 16% will reduce its size, while 67% will remain the same.



2.5 ADVANTAGES FROM THE CEPA ON BUSINESSES

The Closer Economic Partnership Arrangement between Hong Kong and Mainland China showed little effect on AmCham member companies. Only 21% of the survey respondents indicated that they had received advantages from CEPA while almost half (46%) of the respondents say there was no effect at all on their businesses. For those that benefit from CEPA, the effects were largely on a moderate level (64%).

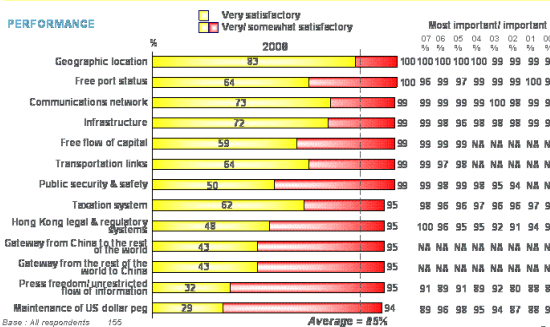


2.6 ASSESSMENT OF HONG KONG'S BUSINESS ENVIRONMENT

For the first time this year, the survey asked member companies to assess Hong Kong's dual gateway role for foreign businesses establishing a presence in China as well as for the ever growing number of Mainland companies entering international markets. A significant number of respondents are quite pleased with the SAR's unique gateway platform and the rating is comparable to the top five attributes including Hong Kong's favorable geographic location, free port status, communications network, infrastructure, and free flow of capital. Of the twenty-six factors accessed, seventeen were rated on or above the average (85%) 'very/somewhat satisfactory' levels.

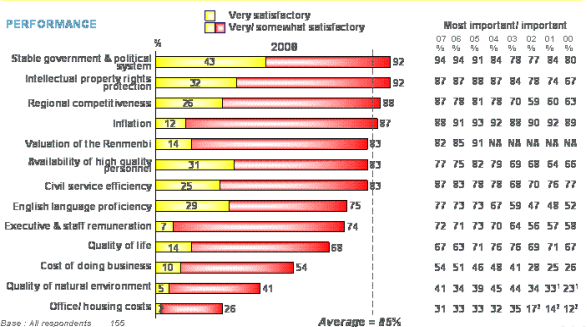
ASSESSMENT OF HONG KONG'S BUSINESS ENVIRONMENT

Q5: How do you rate Hong Kong's business environment in terms of:



ASSESSMENT OF HONG KONG'S BUSINESS ENVIRONMENT

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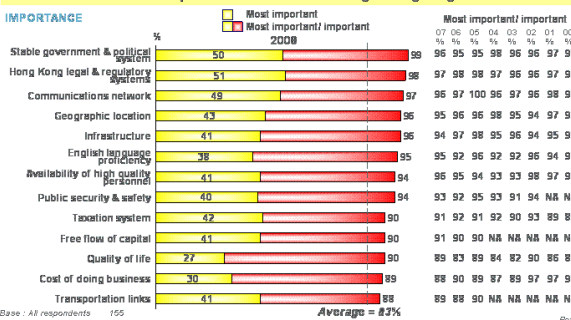


2.7 FACTORS AFFECTING CONTINUED INVESTMENT IN HONG KONG

In terms of how important the attributes are towards their business decisions to invest in Hong Kong, survey respondents indicate that Hong Kong's stable government and political system (50%), legal and regulatory systems (51%), communications network (49%), as well as geographic location (43%) are 'most important' to them. Some of the factors that were low on performance (below the 85% average) but high in importance (above the 83% average) are the level of English language proficiency, availability of high quality personnel, as well as the quality of life in the SAR.

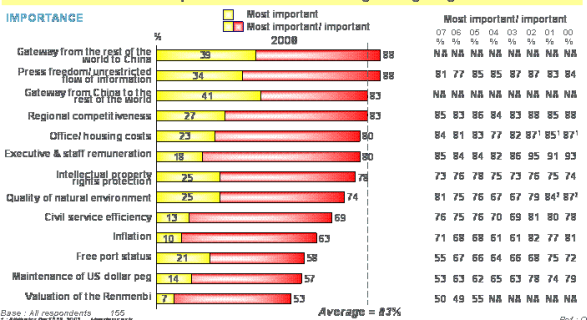
FACTORS AFFECTING COMPANIES' CONTINUED INVESTMENT OR PRESENCE IN HONG KONG

Q4: Please rank the following items in terms of their level of importance to your company's continued investment/presence/reasons for investing in Hong Kong:



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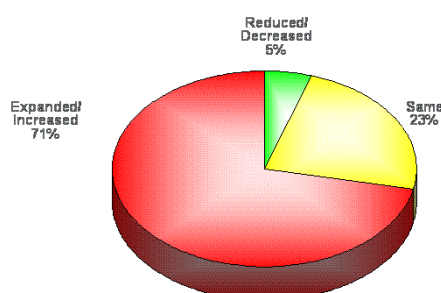
3 MAINLAND CHINA'S BUSINESS OUTLOOK

3.1 MAINLAND CHINA'S BUSINESS OUTLOOK FOR NEXT 3 YEARS

Turning to Mainland China, 83% of AmCham member companies have operations there and almost three quarters of these companies (71%) indicated that their businesses have expanded over the last twelve months. Despite the global financial crisis, the confidence in the Mainland markets remains very strong as 83% of survey respondents have plans to make additional investments over the next three years.

CHANGE IN CHINA BUSINESS IN THE LAST 12 MONTHS

Q22 : In the last 12 months, how has your company's business in China changed?



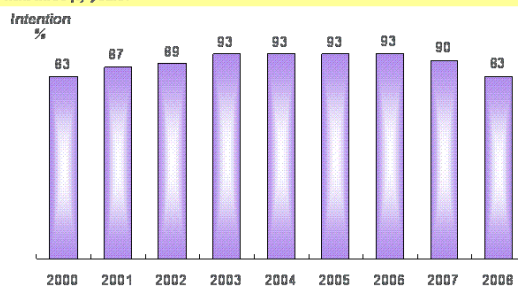
Base: All who have presence in Mainland China

178

Ref: Q22

INTENTION TO MAKE ADDITIONAL INVESTMENT IN MAINLAND CHINA IN THE NEXT 3 YEARS

Q23 : Does your company intend to make additional investment in Mainland China in the next three (3) years?



Base: All who have presence in Mainland China

216

252

262

254

175

174

176

148

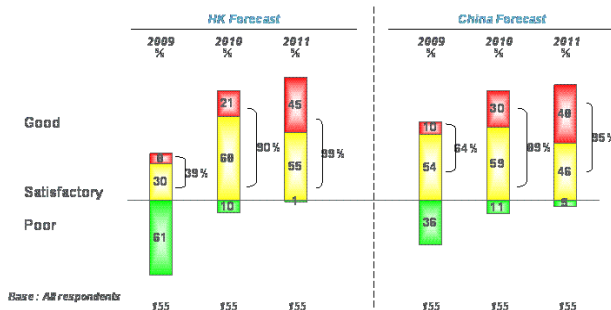
178

Ref: Q23

In comparison with the Hong Kong business environment, the outlook for Mainland China is slightly more optimistic with the majority (64%) of respondents giving a 'good' forecast for 2009. While doing business in Mainland China, survey results also indicate that the majority of respondents were generally satisfied with the overall business environment.

FORECAST OF HONG KONG'S BUSINESS ENVIRONMENT

Q7/ Q29 : How does your Hong Kong company consider the outlook for the business environment in HK (China) in the following years?



Base: All respondents

155

155

155

155

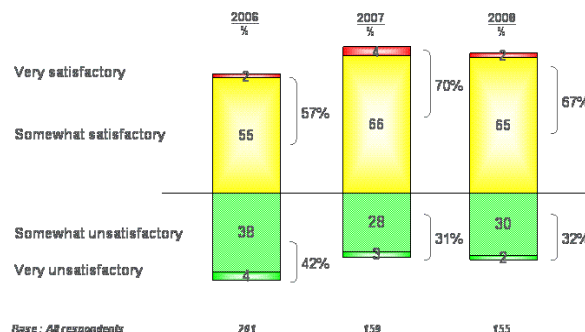
155

155

Ref: Q7

OVERALL SATISFACTION WITH MAINLAND CHINA'S BUSINESS ENVIRONMENT

Q28 : Please indicate your overall satisfaction with Mainland China's business environment.



Base: All respondents

291

159

155

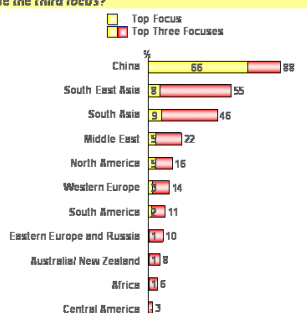
Ref: Q28

3.2 RATING OF MAINLAND CHINA'S BUSINESS ENVIRONMENT

On a regional level, the Chinese market received top rankings in terms of the ability to attract investments, followed by Southeast Asia, and South Asia to make the top three investment destinations. When survey respondents were asked what attracted them to begin or increase investments in the Mainland market, many cite domestic market expansion (79%) and the general economic outlook (72%) and the general economic outlook (72%) as major contributing factors.

AREAS OF FOCUS ON EXPANDING INTERNATIONAL BUSINESS

Q22: If your company were to expand its international business or make additional investments, which market will be your primary focus? Which will be your company's second focus? Which will be the third focus?



Base - All respondents 155

Ref - Q22

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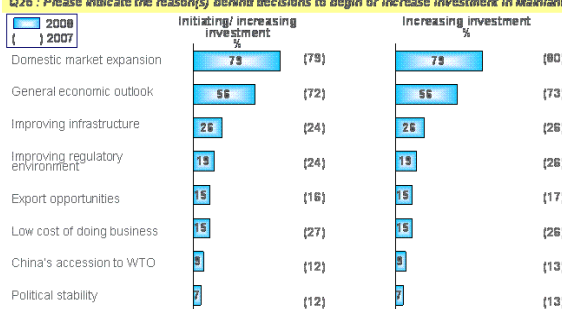
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REASONS FOR INCREASING INVESTMENT IN MAINLAND CHINA

Q26: Please indicate the reason(s) behind decisions to begin or increase investment in Mainland China.



Base: All who intend to make initial additional investment in Mainland China (117)

Base: All who intend to make additional investment in Mainland China (106)

Ref - Q26

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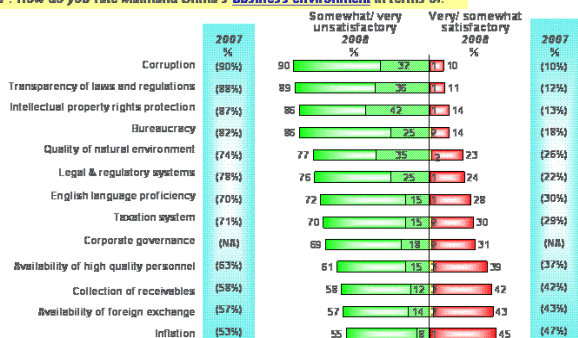
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To further improve the business environment in Mainland China, AmCham member companies look forward to measures by the Central Government to address corruption (90%), increasing the transparency of laws and regulations (89%), and protecting intellectual property rights (86%) because these factors consistently get top unsatisfactory ratings every year.

RATING OF MAINLAND CHINA'S BUSINESS ENVIRONMENT - I

Q27: How do you rate Mainland China's business environment in terms of:



Base - All respondents 155

Ref - Q27

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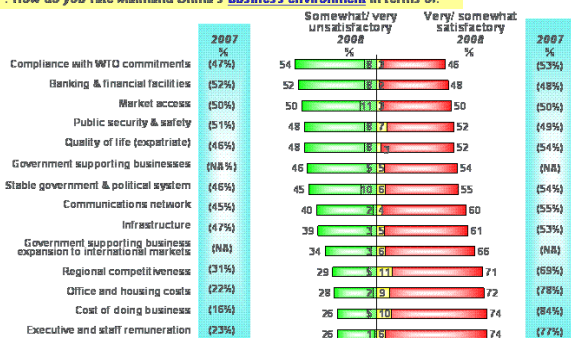
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RATING OF MAINLAND CHINA'S BUSINESS ENVIRONMENT - II

Q27: How do you rate Mainland China's business environment in terms of:



Base - All respondents 155

Ref - Q27

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