

CPA AUSTRALIA'S ASIA-PACIFIC SMALL BUSINESS SURVEY 2019/20

HONG KONG RESULTS

2 April 2020

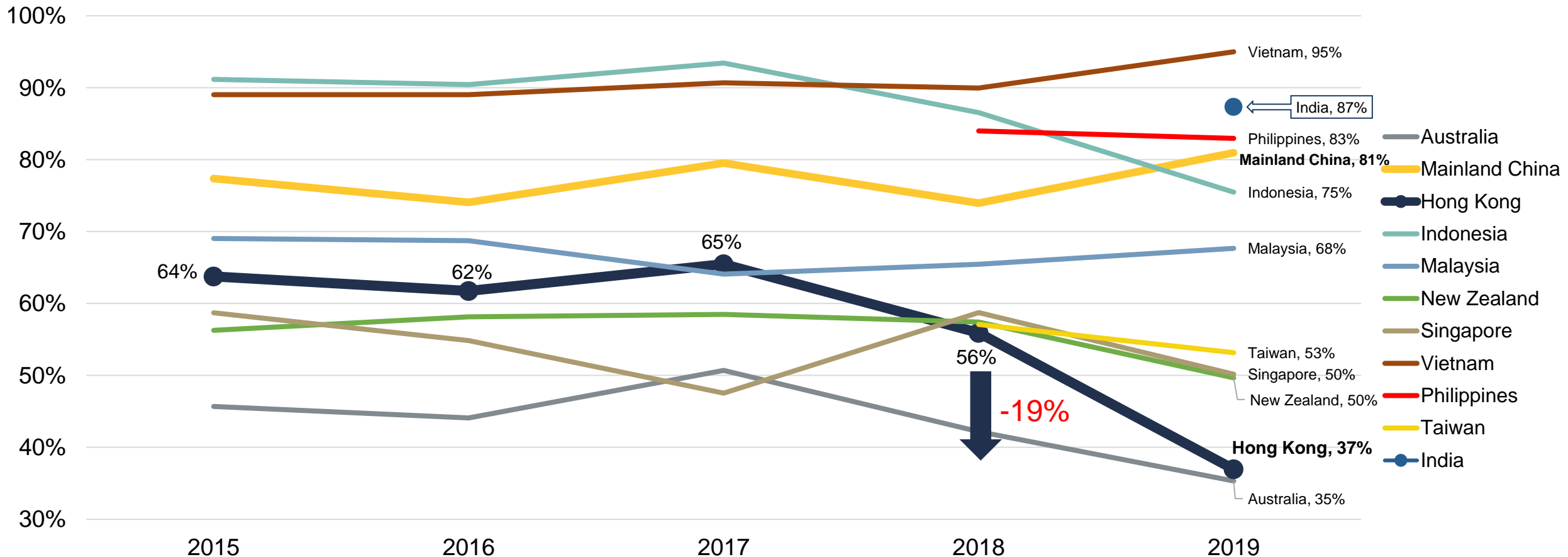
SURVEY DESIGN & METHODOLOGY

- Online survey was conducted amongst a random sample of business owners / managers from businesses of fewer than 20 employees
- The survey was conducted between 18 November and 12 December 2019
- The survey findings came from **4,193** small businesses in **11 markets** across Asia Pacific. The markets surveyed are: Hong Kong, Mainland China, Taiwan, Malaysia, Vietnam, India, Indonesia, Philippines, Singapore, Australia and New Zealand
- In Hong Kong, respondents came from all industries, with retail trade (10.6 per cent), manufacturing (9.9 per cent) and education and training (9.9 per cent) being the industries with the largest representation
- There were 303 respondents from Hong Kong and 772 respondents from 5 cities in Mainland China: Beijing, Chongqing, Guangzhou, Shanghai and Shenzhen

HONG KONG SMALL BUSINESS SENTIMENT

HONG KONG RECORDED THE LARGEST DECREASE IN THE PERCENTAGE OF SMALL BUSINESSES THAT REPORTED GROWING IN 2019 FROM 2018

PERCENTAGE OF BUSINESSES THAT GREW IN 2019 BY MARKET - 2015 TO 2019

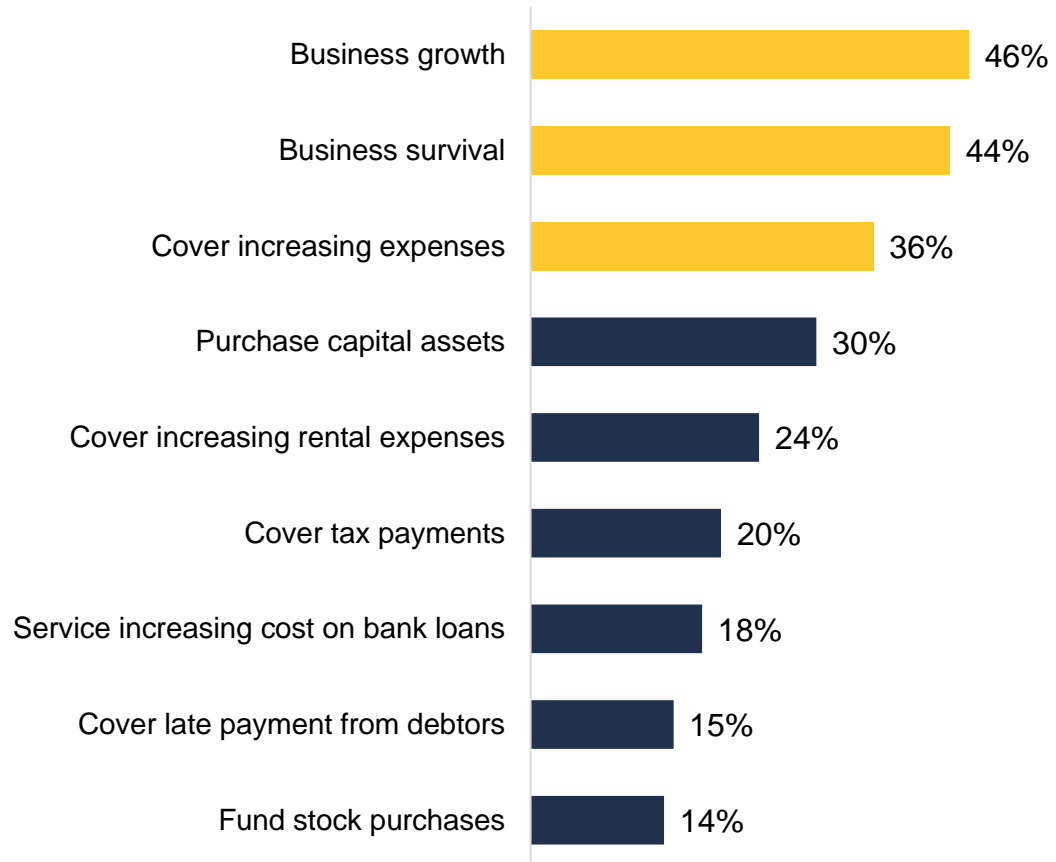


QUESTION: In the past 12 months has your business grown strongly, grown a little, not changed, shrunk a little, shrunk a lot or don't know?

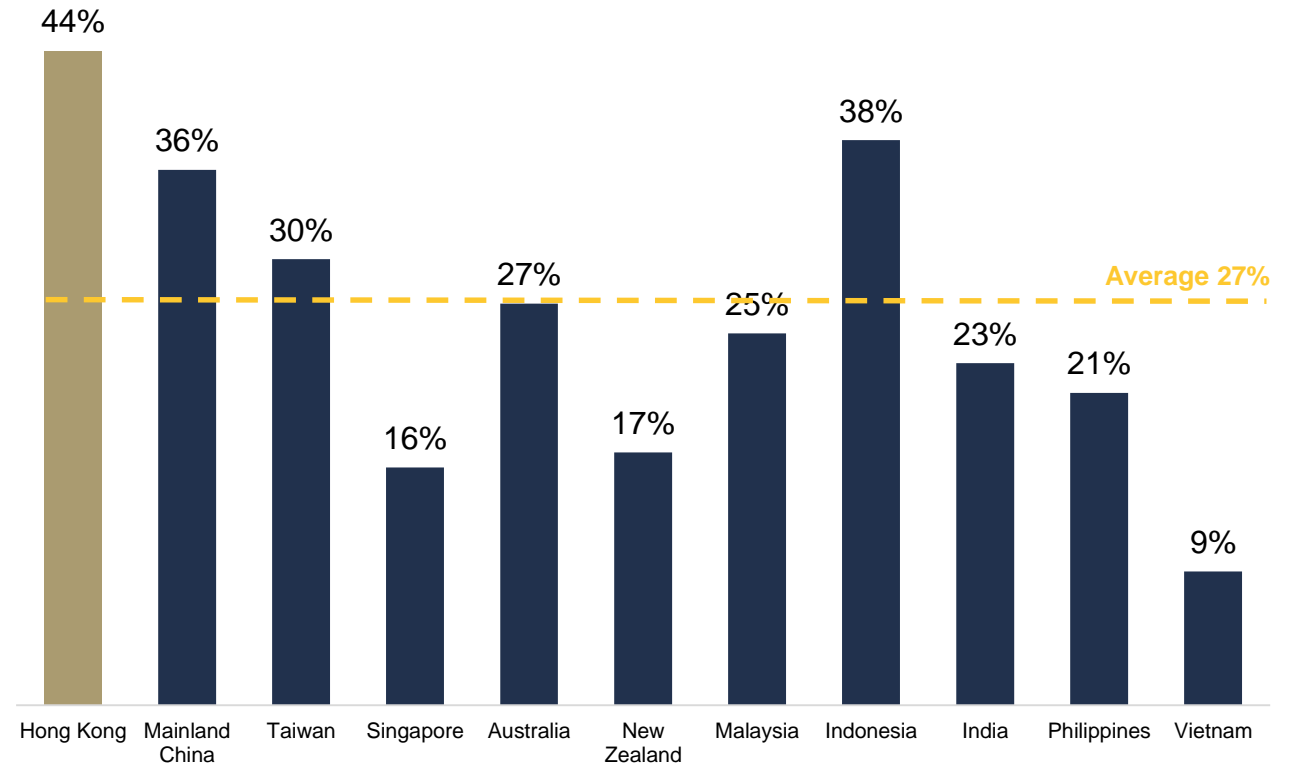
NOTE: Taiwan and Philippines were added to the survey in 2018, India was added in 2019

HONG KONG BUSINESSES WERE THE MOST LIKELY TO REQUIRE EXTERNAL FINANCE TO FUND BUSINESS SURVIVAL IN 2019

REASONS WHY HONG KONG BUSINESSES REQUIRED EXTERNAL FINANCE IN 2019



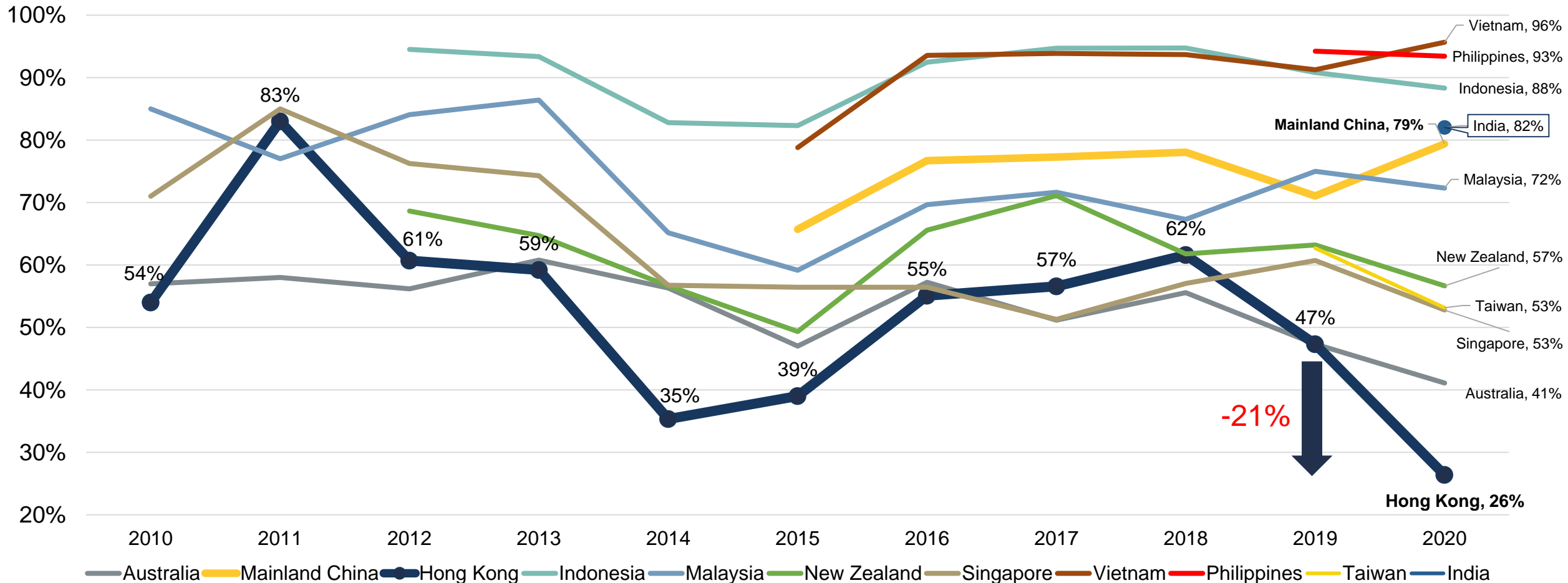
PERCENTAGE OF SMALL BUSINESSES THAT REQUIRED EXTERNAL FINANCE FOR BUSINESS SURVIVAL IN 2019



QUESTION: Which of the following best describes the reasons for requiring external funds in the past 12 months

EVEN BEFORE THE COVID-19 PANDEMIC, HONG KONG RECORDED THE LOWEST EVER PERCENTAGE OF BUSINESSES THAT EXPECT TO GROW IN 2020

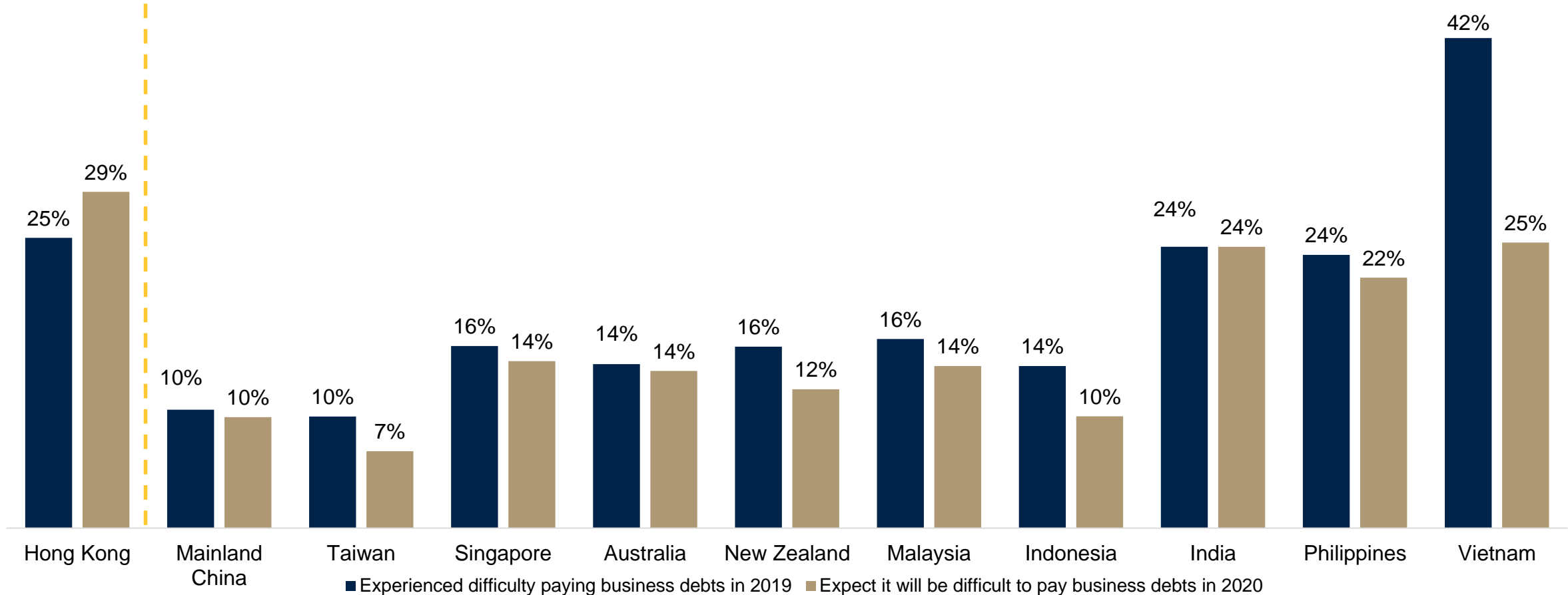
PERCENTAGE OF BUSINESSES THAT EXPECT TO GROW IN 2020 BY MARKET – 2010 TO 2020



QUESTION: In the next 12 months do you expect your business to grow strongly, grow a little, not change, shrink a little, shrink a lot or don't know?

EVEN BEFORE THE COVID-19 PANDEMIC, NEARLY THREE IN TEN OF HONG KONG SMALL BUSINESSES EXPECT TO HAVE LIQUIDITY PROBLEMS IN 2020

SMALL BUSINESSES THAT EXPERIENCED DIFFICULTY PAYING DEBTS IN 2019 AND EXPECT IT WILL BE DIFFICULT TO PAY DEBTS IN 2020 – BY MARKET



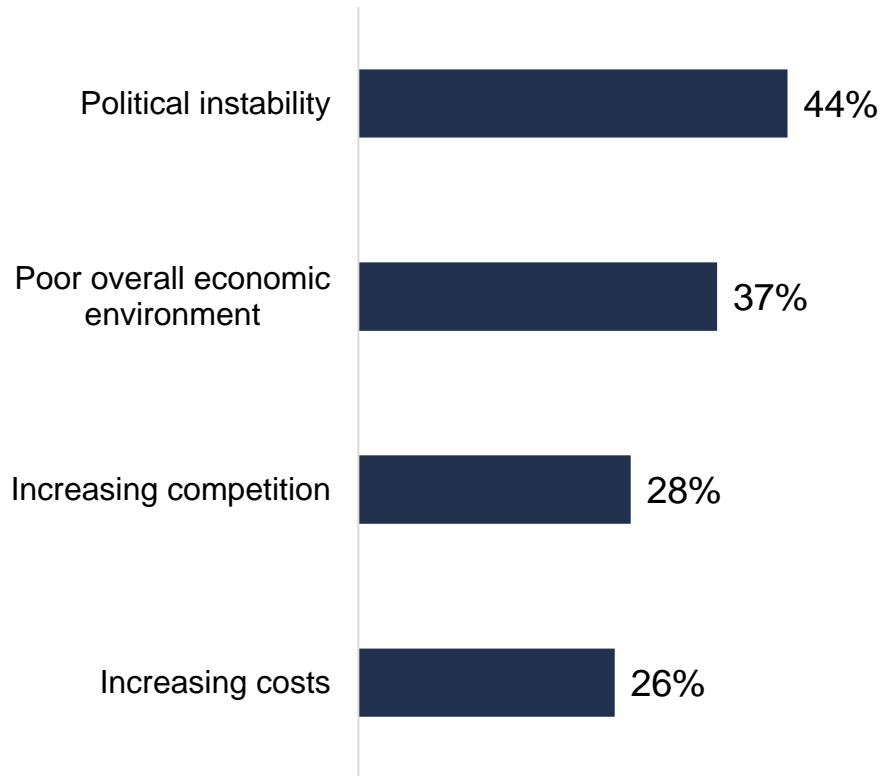
QUESTION: Using the scale below, please indicate how easy or difficult it was for your business to pay its debts in the past 12 months

QUESTION: Using the scale below, please indicate how easy or difficult you believe it will be for your business to pay its debts in the next 12 months

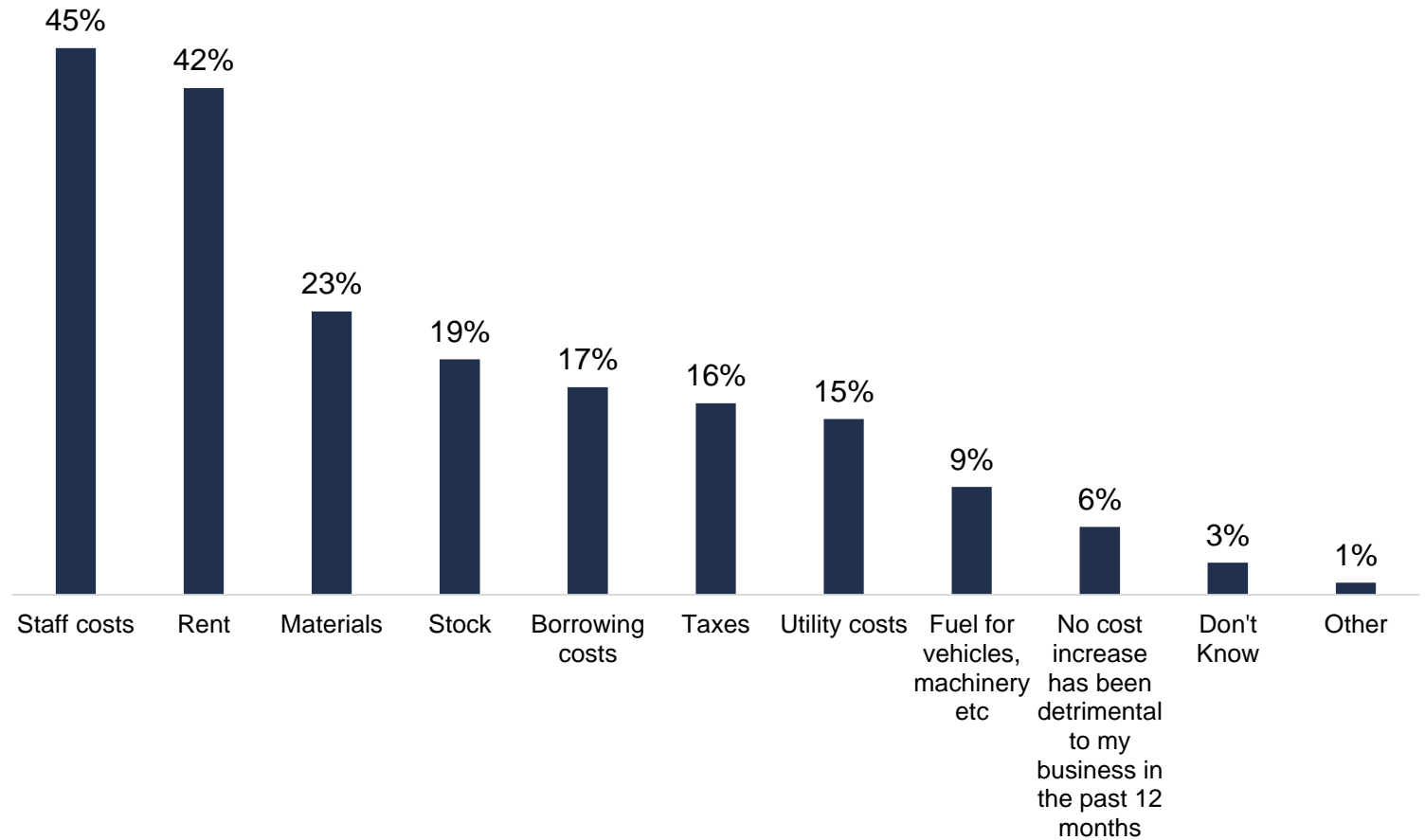
THE MOST POSITIVE AND NEGATIVE FACTORS IMPACTING HONG KONG SMALL BUSINESSES

POLITICAL INSTABILITY THE MOST DETRIMENTAL FACTOR TO HONG KONG BUSINESSES IN 2019, WHILE STAFF COSTS OVERTAKE RENT AS THE COST MOST DETRIMENTAL TO SMALL BUSINESSES IN HONG KONG FOR THE FIRST TIME SINCE 2014

TOP FOUR FACTORS HAVING THE MOST DETRIMENTAL IMPACT ON HONG KONG BUSINESSES IN 2019



MOST DETRIMENTAL COST INCREASE ON HONG KONG SMALL BUSINESSES IN 2019



QUESTION: Negative influencers on businesses in 2019

QUESTION: What cost increases have been most detrimental to your business?

HONG KONG SMALL BUSINESSES WERE MOST LIKELY TO FOCUS ON COST CONTROL IN 2019

FACTORS THAT HAD THE MOST POSITIVE IMPACTS ON BUSINESSES IN 2019

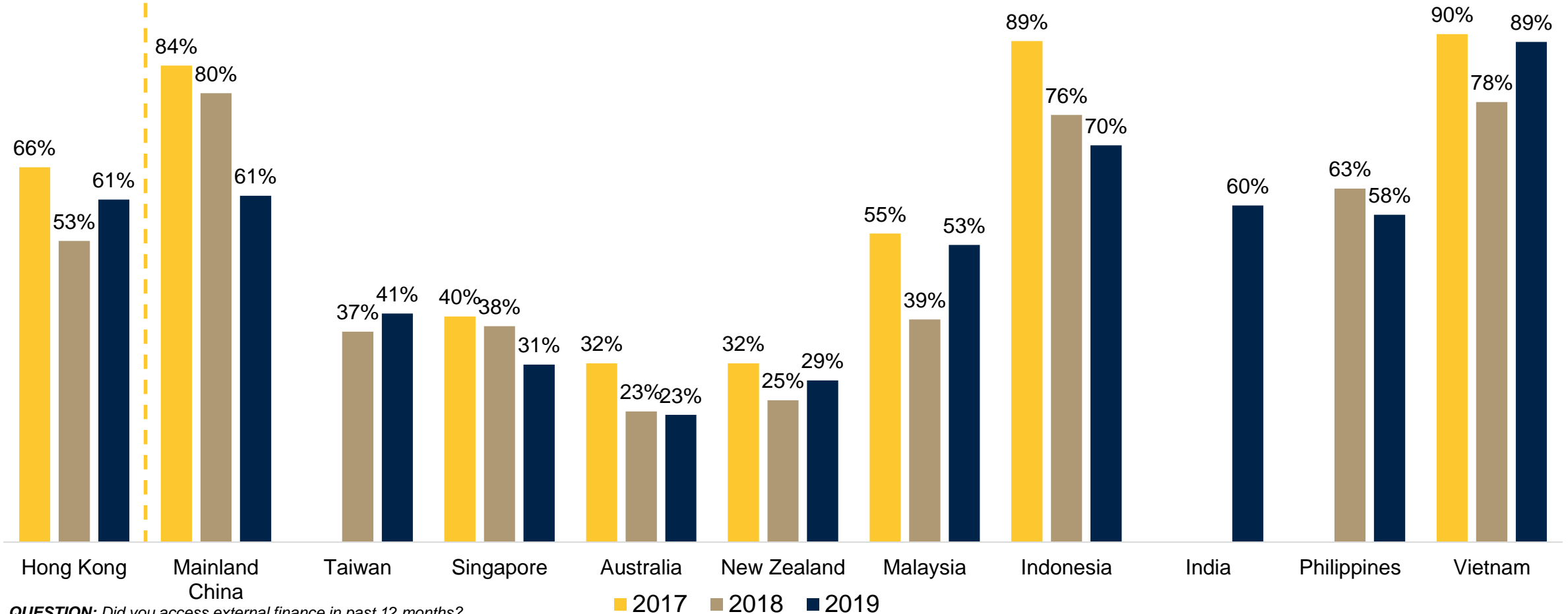


QUESTION: Positive influencers on businesses in 2019

HONG KONG SMALL BUSINESSES ACCESS TO FINANCE

DEMAND FOR EXTERNAL FINANCE IN HONG KONG GREW IN 2019 DESPITE MORE CHALLENGING BUSINESS CONDITIONS

SMALL BUSINESSES THAT REQUIRED EXTERNAL FINANCE IN THE PAST 12 MONTHS – BY MARKET

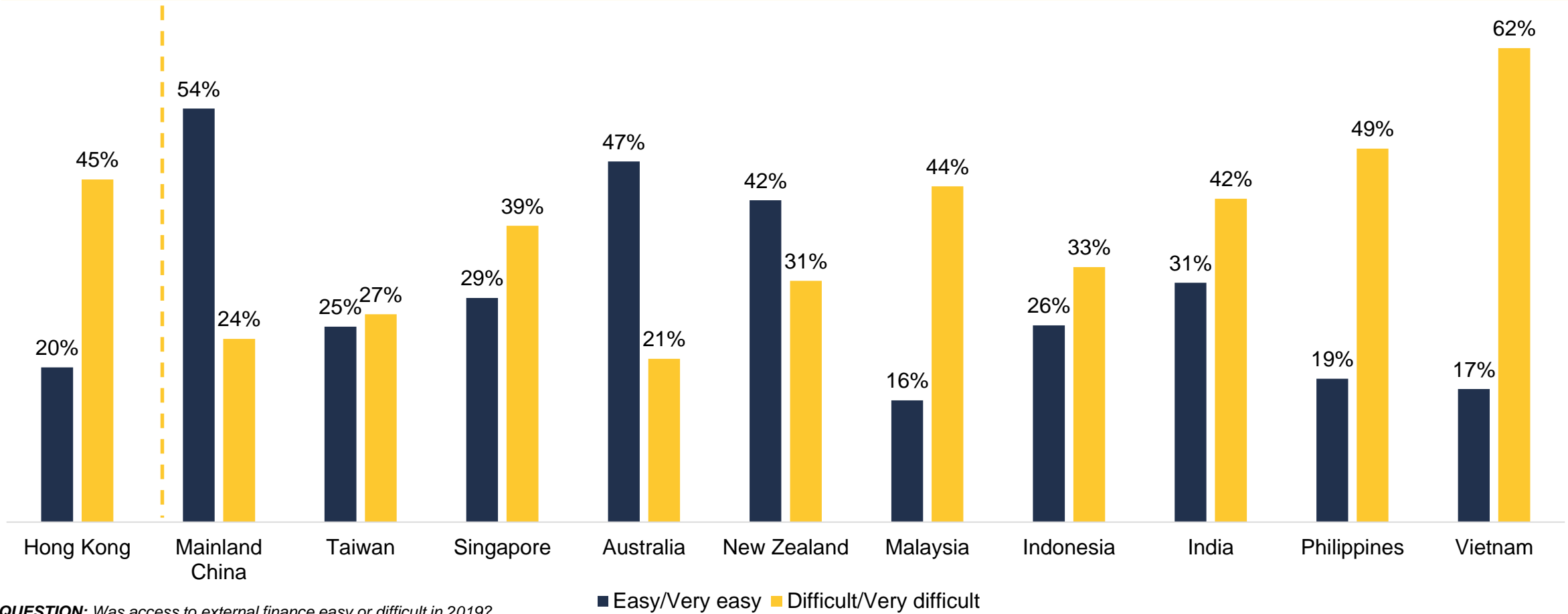


QUESTION: Did you access external finance in past 12 months?

NOTE: Taiwan and Philippines were added to the survey in 2018, India was added in 2019

NEARLY HALF OF RESPONDENTS IN HONG KONG EXPERIENCED DIFFICULT TO VERY DIFFICULT ACCESS TO FINANCE IN 2019

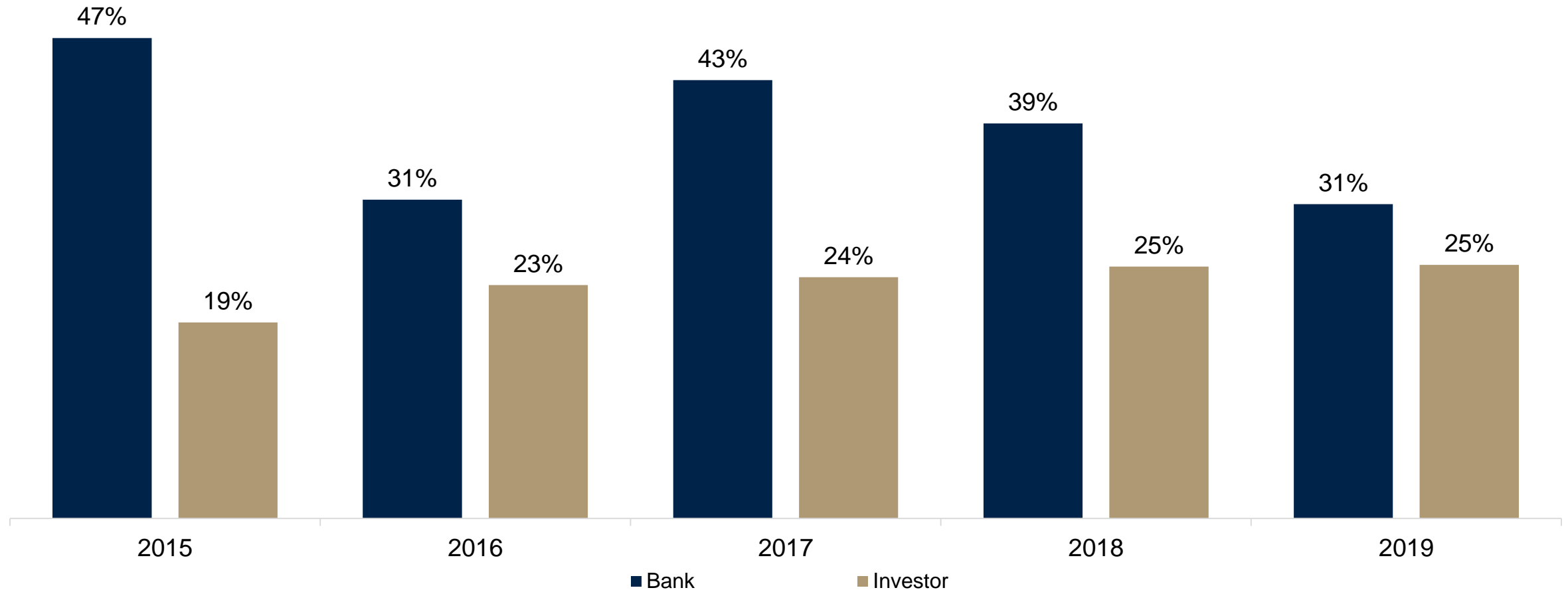
COMPARISON BETWEEN SMALL BUSINESSES THAT EXPERIENCED EASY ACCESS TO FINANCE IN 2019 TO THOSE THAT EXPERIENCED DIFFICULTY IN ACCESSING FINANCE



QUESTION: Was access to external finance easy or difficult in 2019?

BANKS REMAIN THE MOST POPULAR SOURCE OF FINANCE FOR SMALL BUSINESSES IN HONG KONG, ALTHOUGH LESS SO THAN IN 2018

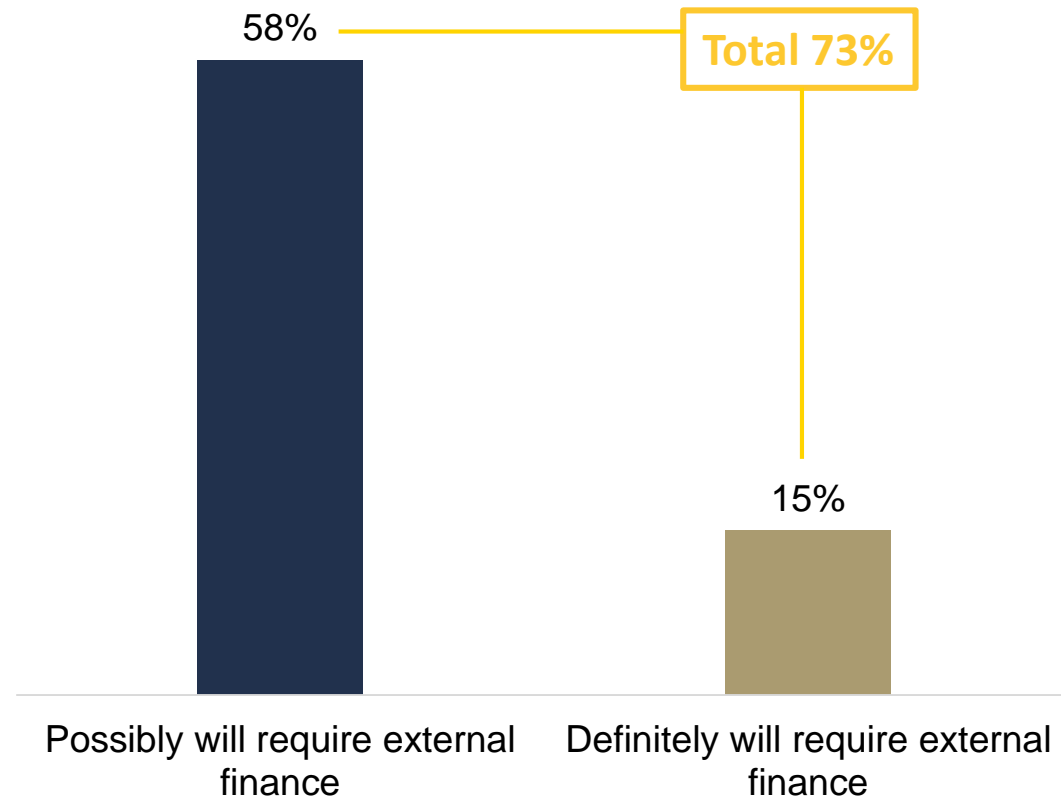
COMPARISON OF MAIN SOURCES OF FINANCE FOR HONG KONG SMALL BUSINESS TO EASE OF ACCESSING FINANCE



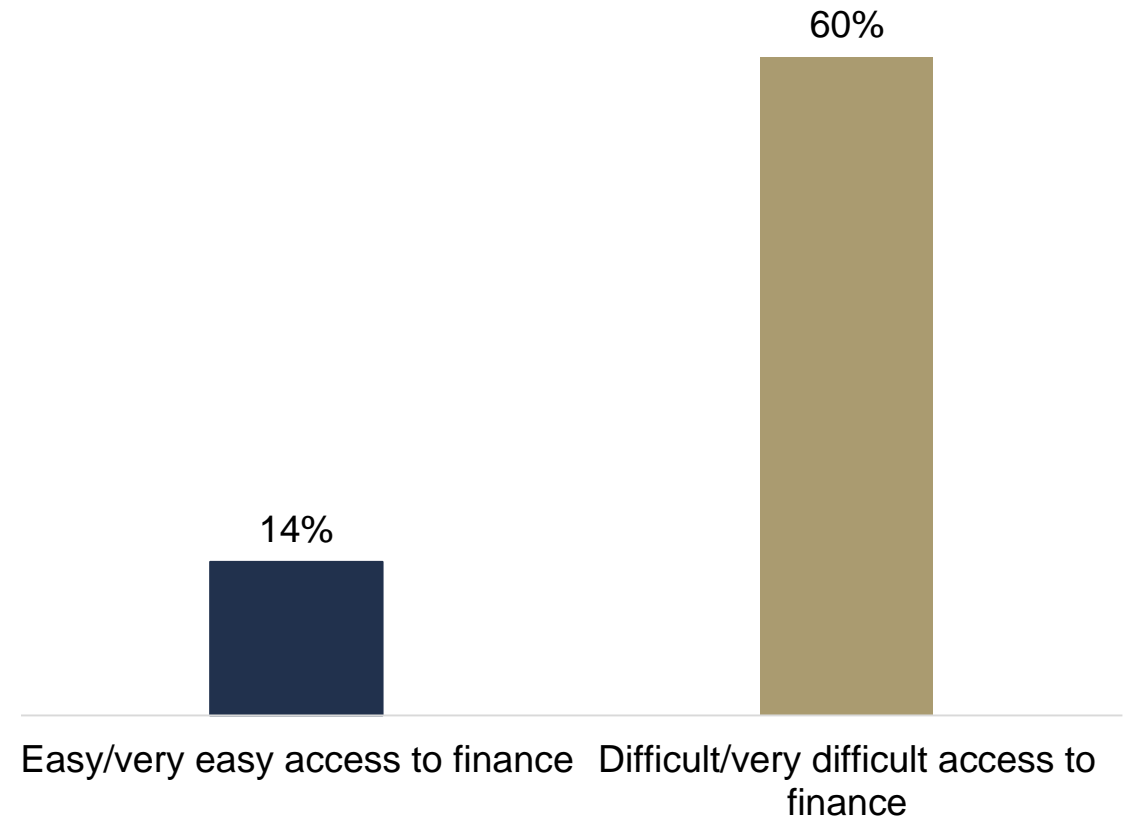
QUESTION: Which of the following was the main source of those external funds?

SEVENTY THREE PER CENT OF HONG KONG SMALL BUSINESSES EXPECT TO SEEK EXTERNAL FINANCE IN 2020 WHILE SIXTY PER CENT EXPECT DIFFICULTY IN ACCESSING FINANCE

HONG KONG SMALL BUSINESSES EXPECTED DEMAND FOR FINANCE IN 2020



HONG KONG SMALL BUSINESSES EXPECTED EASY OR DIFFICULT ACCESS TO FINANCE IN 2020



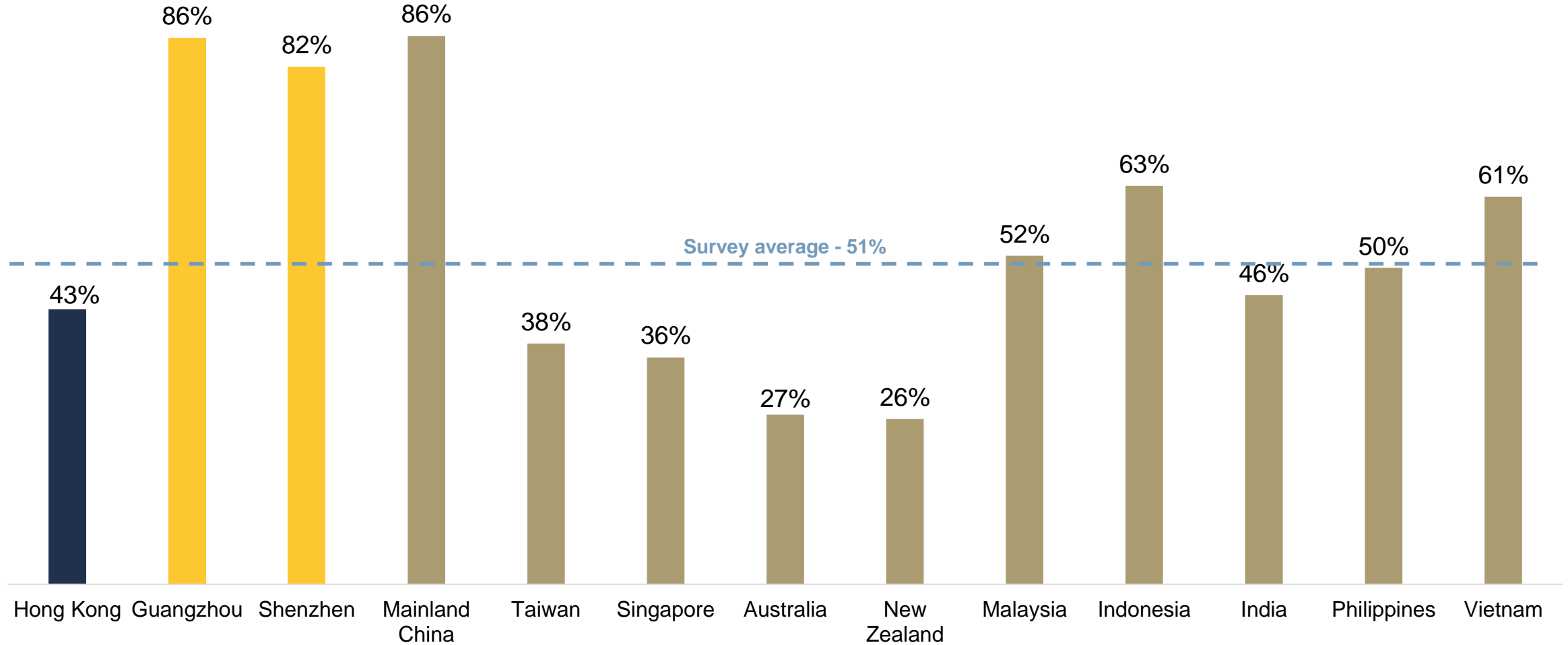
QUESTION: Do you envisage that your business will seek external funds over the next 12 months?

QUESTION: Please indicate how easy or difficult you think it is going to be for your business to raise or borrow the external funds you need over the next 12 months

HONG KONG SMALL BUSINESSES AND TECHNOLOGY

HONG KONG SMALL BUSINESSES HAVE ROOM TO EXPAND THROUGH INCREASING ONLINE SALES

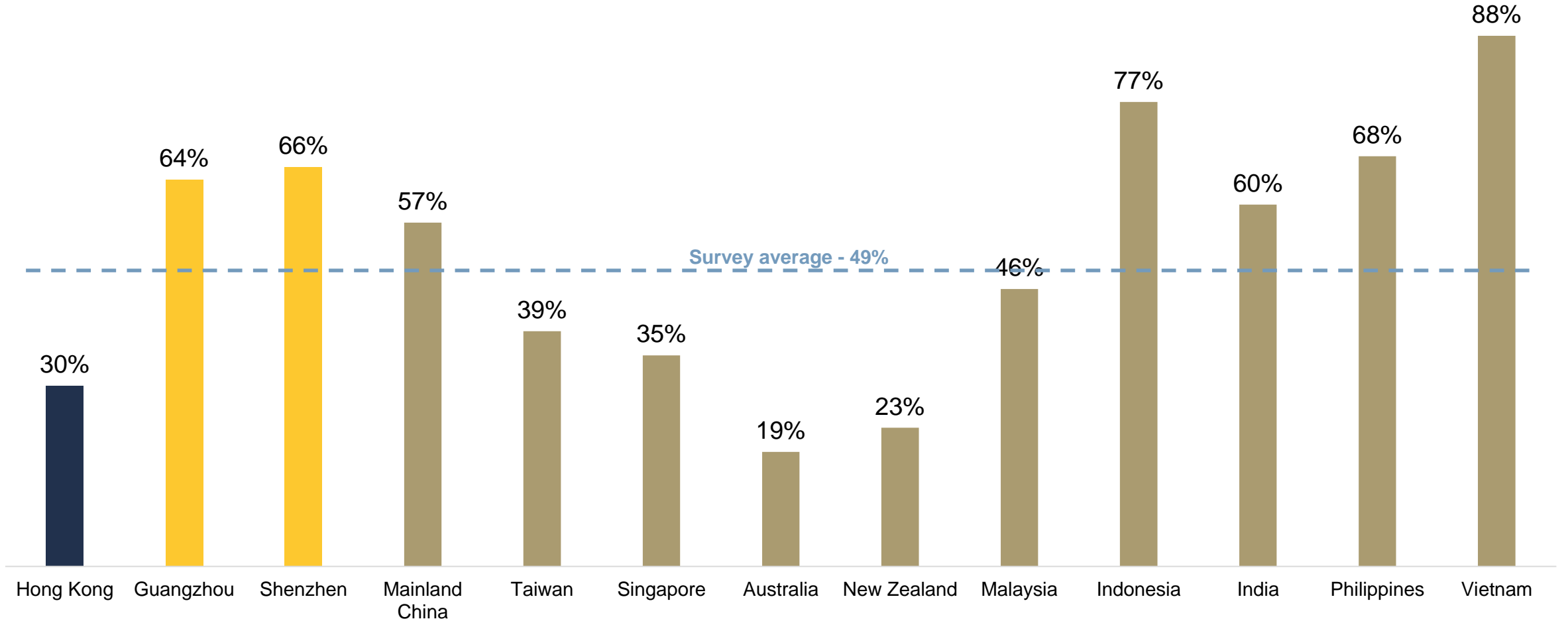
SMALL BUSINESSES THAT GENERATED MORE THAN 10 PER CENT OF THEIR INCOME THROUGH ONLINE SALES IN 2019



QUESTION: What percentage of your income comes through online sales?

IN COMPARISON TO SHENZHEN AND GUANGZHOU, FEWER HONG KONG SMALL BUSINESSES GENERATED A QUICK RETURN FROM INVESTMENT IN TECHNOLOGY IN 2019

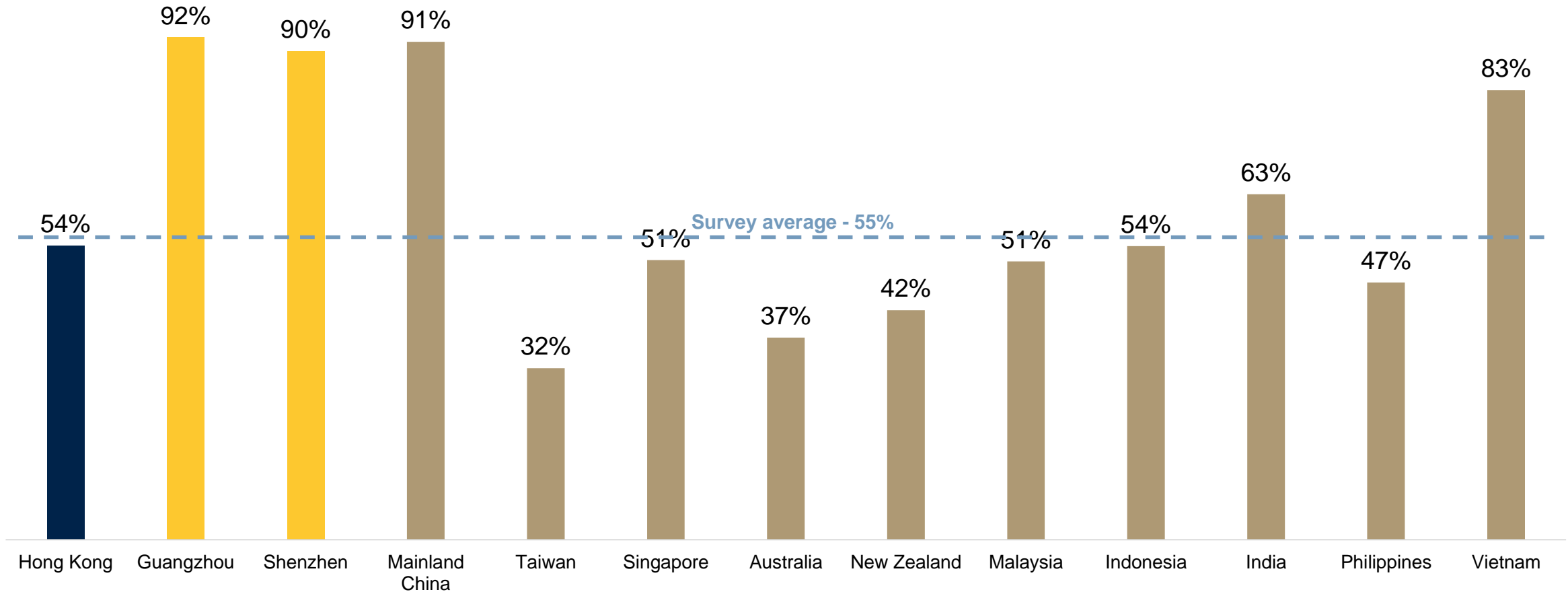
INVESTMENT IN TECHNOLOGY IN 2019 THAT HAS MADE THE BUSINESS MORE PROFITABLE



QUESTION: How has your business's investment in technology over the past 12 months affected profitability?

HONG KONG'S RESULT WAS BELOW THE SURVEY AVERAGE IN TERMS OF SALES GENERATED THROUGH NEW PAYMENT TECHNOLOGIES

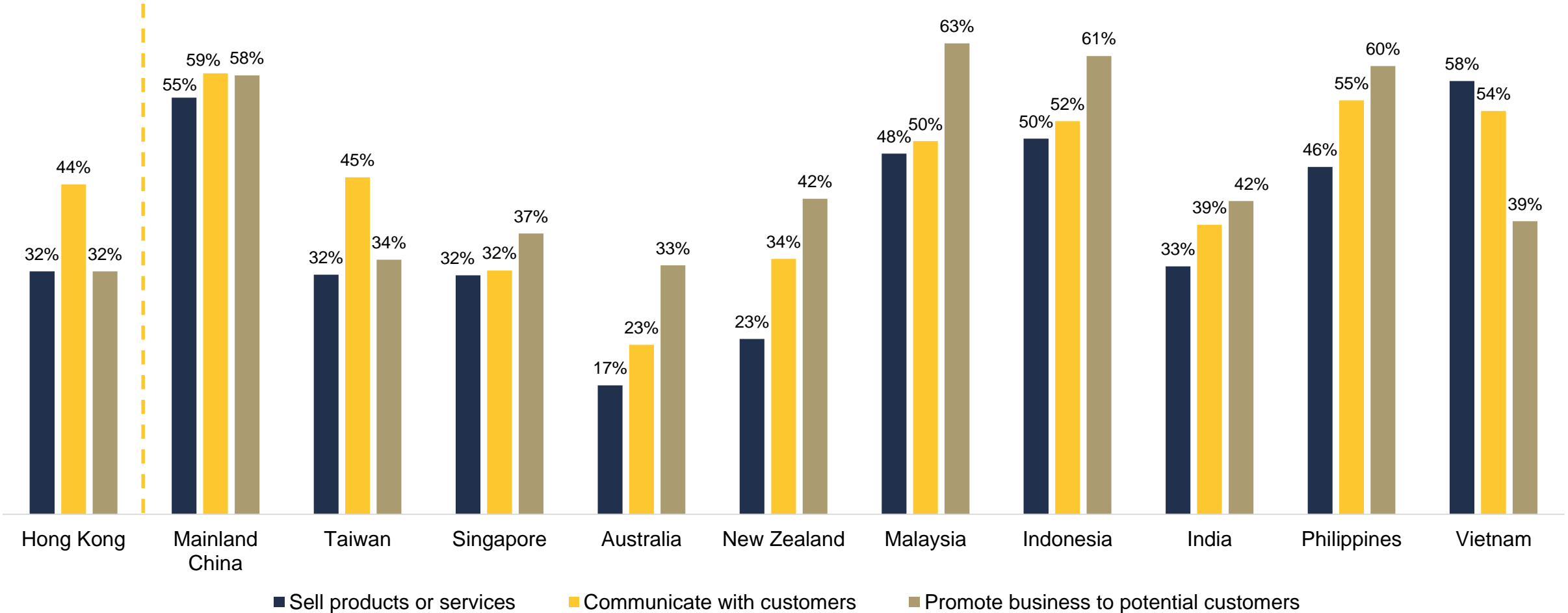
SMALL BUSINESSES THAT GENERATED MORE THAN 10 PER CENT OF THEIR SALES THROUGH NEW PAYMENT TECHNOLOGY SUCH AS PAYPAL, ALIPAY, TENPAY, WECHAT PAY AND APPLE PAY



QUESTION: What percentage of your sales is received through digital / online / mobile payment technologies such as PayPal, Alipay, TenPay, WeChat Pay, Apple Pay etc.?

MORE HONG KONG BUSINESSES SHOULD CONSIDER USING SOCIAL MEDIA TO SELL THEIR PRODUCTS AND SERVICES

HOW SMALL BUSINESS USE SOCIAL MEDIA TO ENGAGE WITH CUSTOMERS AND POTENTIAL CUSTOMERS



QUESTION: How do you use social media in your business?

RECOMMENDATIONS FOR HONG KONG SMALL BUSINESSES

RECOMMENDATIONS FOR HONG KONG SMALL BUSINESSES

- Consider existing leverage ratio, cashflow control and forecast on sales revenue before seeking new external finance
- Identify and implement technologies that improve profitability, productivity and efficiency of your business
- Make full use of the SMEs relief measures announced by the government
- Utilise technology and online sales to meet changing consumer behaviour and to transform business models
- Focus on improving customer satisfaction to retain existing customers and to attract new customers