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UPS ABM 2009 HIGHLIGHTS ADAPTABILITY OF SMEs IN CHINA

Chinese SMEs seek to explore new revenue lines and reduce costs

Shanghai, June 11, 2009 — The UPS Asia Business Monitor (UPS ABM) 2009 highlights the adaptability of Chinese SMEs in the face of the current global economic recession as they fight to sustain business growth by introducing contingency plans to their business models.

Results from UPS ABM 2009, an annual survey which monitors the changing perceptions of SMEs in the Asia-Pacific region show that in the face of a challenging economy, 64 percent of Chinese SMEs surveyed plan to diversify or explore new revenue lines. Meanwhile 59 percent will focus on reducing costs and 55 percent will tighten cash management (appendix 1).

“Whilst the economic downturn has seriously impacted the business of a huge number of SMEs in China, the ABM 2009 results highlight the adaptability of the sector as SME managers strive to add business value and control costs to weather the current climate,” said Steven Wong, vice president, Supply Chain Operations, UPS China.



UPS ABM 2009 also shows the importance attached by SMEs in China to their supply chain efficiencies. In fact, 93 percent of Chinese SMEs believe supply chain efficiency is a necessity to business success in terms of cost-cutting (25 percent), quality assurance (23 percent) and a means to forecast demand (18 percent) (appendix 2).

“We are encouraged by the attention paid by Chinese SMEs to their supply chains and also note with interest that 49 percent of Chinese SMEs will change their supply chain practice in the current economic conditions by focusing on reducing transportation and distribution costs. With a full range of supply chain solutions and a global network at hand, UPS is ready to help SMEs transition through this difficult period by providing cost effective products and value-added tools for them to operate a more efficient supply chain,” continued Mr. Wong. (Appendix 3)

As the only player in the industry with the widest time-definite offerings in the world, UPS also provides an array of economy products such as Air or Ocean Freight and UPS Expedited service. Customers focused on cost over speed can choose UPS Worldwide Expedited rates (for 3-5 days delivery) which are as low as nearly half of UPS Express (1-2 days delivery) rates. Advanced UPS online tools integrate directly into customers’ website or systems and offer real-time tracking of shipments, resulting to a more accurate billing forecast, reporting and faster cash-for-inventory turnaround. A newly introduced UPS eBilling Tool also allows customers to analyze and allocate shipping expenses quickly and easily without paper-based invoices, for seamless reporting and visibility across functions, projects or business groups.



UPS ABM 2009 also investigates the challenges faced by and obstacles they need to overcome. Results show that 81 percent of Chinese SMEs polled believe the lack of innovation is the biggest obstacle to their competitiveness; 78 percent of Chinese SMEs believe lack of access to business financing is another concern that blocks SMEs growth (appendix 4). Furthermore, 93 percent of Chinese SMEs believe government should play a greater role helping SMEs gain better access to capital and funding, particularly in this challenging period (appendix 5).

“In order to survive the recession and maintain competitiveness, in addition to calling for help from government, Chinese SMEs should explore the opportunities among the challenges. They should adopt what we call “Dual adjustment and stimulus” tactics. This means firstly, to adjust business strategy and revenue lines; and secondly, to stimulate technological innovation and overall competitiveness”, said Mr. Chen Nai Xing, Director of the Research Center for SMEs under the Chinese Academy of Social Sciences.

Although impacted by the global economic downturn, the results of UPS ABM 2009 show that Chinese SMEs still remain competitive in the region. Sixty-five percent of SMEs polled in Asia believe China is more competitive than its own country. Overall, China ranked second behind Japan in terms of competitiveness (appendix 6).

Furthermore, results indicated more confidence among SMEs in China with 78 percent anticipating a global economic recovery by 2011 compared with an average of 47



percent for other markets in the region (appendix 7).

Further Highlights for China in the UPS ABM 2009 include:

SMEs business growth prospects fall

Whilst 78% of Chinese SMEs are hopeful that the global economy will recover by 2011 (Appendix 7), overall optimism is down with only 16% of Chinese SMEs polled forecasting growth for the regional economy in 2009, compared with 47% in 2008 (Appendix 14). However, Chinese SMEs still appear more optimistic than their counterparts with 36% of Chinese SMEs polled this year believing their business will grow compared with a regional average of 25% (appendix 10).

Government focus is key to economic recovery.

Fifty-one percent of Chinese SMEs believe government regulations are the key measure leading to economic recovery. The importance of government regulations also are recognized by the overall region (46%) (appendix 8).

China growth is a positive thing for the region.

Forty-six percent of SMEs in the region view China as more of a boost to their business rather than a threat this year. This percentage hits the highest level since 2005. A key reason for this is that SMEs believe China growth can lead to a healthier overall market (appendix 9).

Africa becomes the trading market with the greatest potential for China.

Forty-eight percent of SMEs in China see their trade with Africa growing in 2009, with Asia Pacific in second place at 36% (appendix 11).

SMEs want local governments to do more to help them weather the recession.

Eighty-six percent of respondents say that governments should focus on helping them gain better access to capital, financing and loans (appendix 12).

SMEs are focused on delivering new value and targeting new markets

Twenty-nine percent of the SMEs polled cite moving to higher value-added products and services as the single biggest growth opportunity under current global economic conditions, while 16 percent feel that exploring new markets would help them achieve growth. Similar sentiment is reflected when SMEs discuss their contingency plans — 63 percent intend to diversify and/or explore new revenue lines, while 33 percent say they would change the business model in order to fight the effects of the global



economic recession (appendix 13).

The UPS Asia Business Monitor

Since its launch in 2005, the UPS ABM has been conducted annually to deliver the latest insights on the changing business needs of SMEs, the largest business community in the region. As discussed at the 3rd APEC Business Advisory Council Meeting in August 2008, SMEs make up 95 percent of all businesses in the Asia-Pacific region and employ 80% of the workforce. This year, the UPS ABM 2009 surveyed 1,200 company owners, proprietors, CEOs, Managing Directors and other top management across 12 markets.

UPS

UPS (NYSE: UPS) is the world's largest package delivery company and a global leader in supply chain and freight services, offering an extensive range of options for synchronizing the movement of goods, information and funds. Headquartered in Atlanta, Georgia, USA, UPS serves more than 200 countries and territories worldwide. UPS's stock trades on the New York Stock Exchange (UPS) and the company can be found on the Web at www.UPS.com. To get UPS news direct, visit pressroom.ups.com/RSS.

Notes to Editors

- UPS ABM series provides the latest insights into the changing opinions, attitudes and habits of business leaders from the region's small and medium sized enterprises.
- UPS ABM 2009 surveyed 1,200 decision-makers of SMEs between January 8, 2009 and February 27, 2009. Interviews were conducted by an independent research organization, TNS, in Hong Kong using the respondents' native language. SMEs are defined as companies with fewer than 250 employees.
- Interviews were conducted in the following 12 markets: Australia (100), China (150), Hong Kong (100), India (100), Indonesia (50), Japan (100), South Korea (100), Malaysia (100), Philippines (100), Singapore (100), Taiwan (100), Thailand (100).
- Respondents were from a range of industries: automotive, electronics & electricals, garments & textiles, gifts & housewares, healthcare & pharmaceuticals, timepieces, jewellery & optical goods, toys & sporting goods, and others.
- The UPS Asia Business Monitor is available for download at www.ups.com/abm

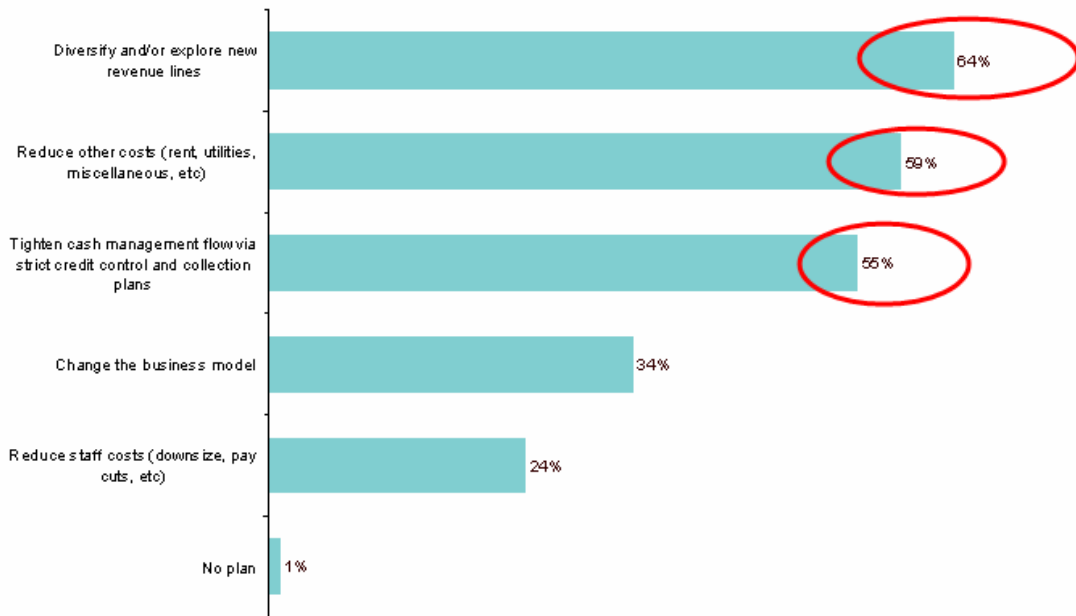
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APPENDIX 1

Plans to Sustain Business and Fight the Effects of a Global Economic Recession – China

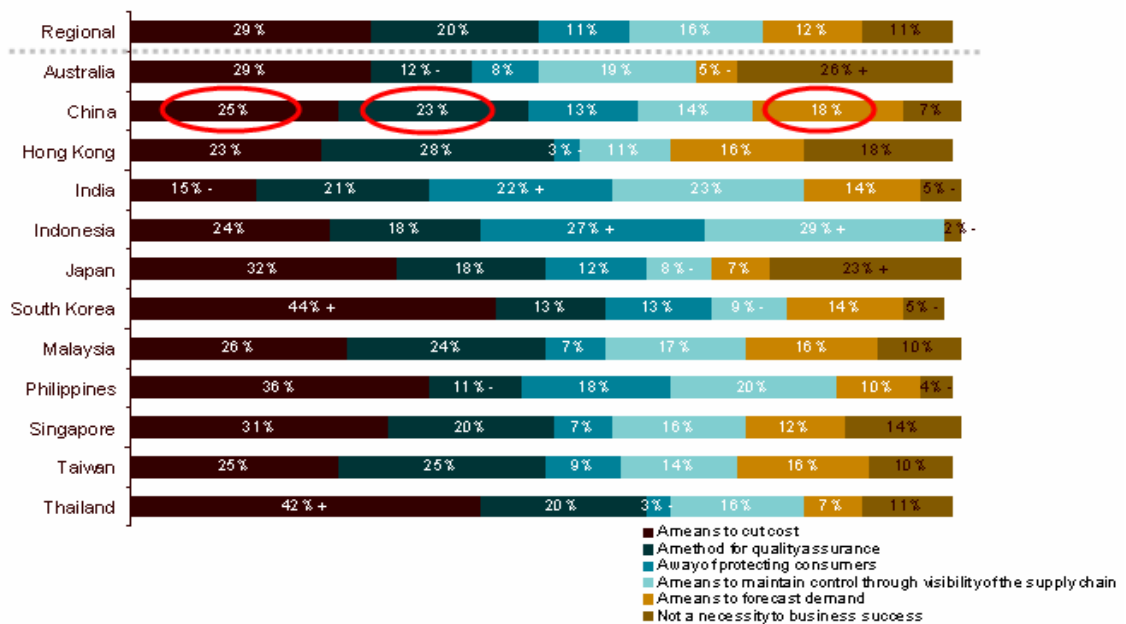
Q. What contingency plans do you have in place to sustain business and fight the effects of a global economic recession?



APPENDIX 2.

Perception of Supply Chain Management

Q. Do you see supply chain management as: SC

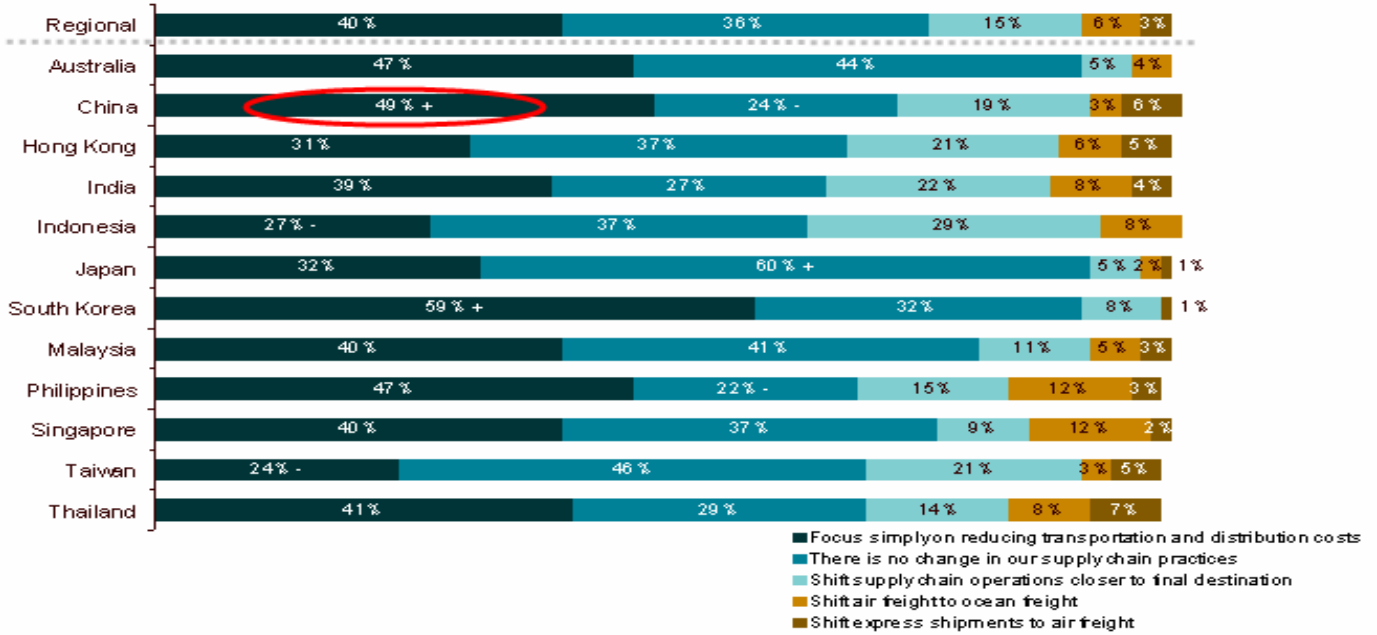




APPENDIX 3

Changes in Supply Chain Practices

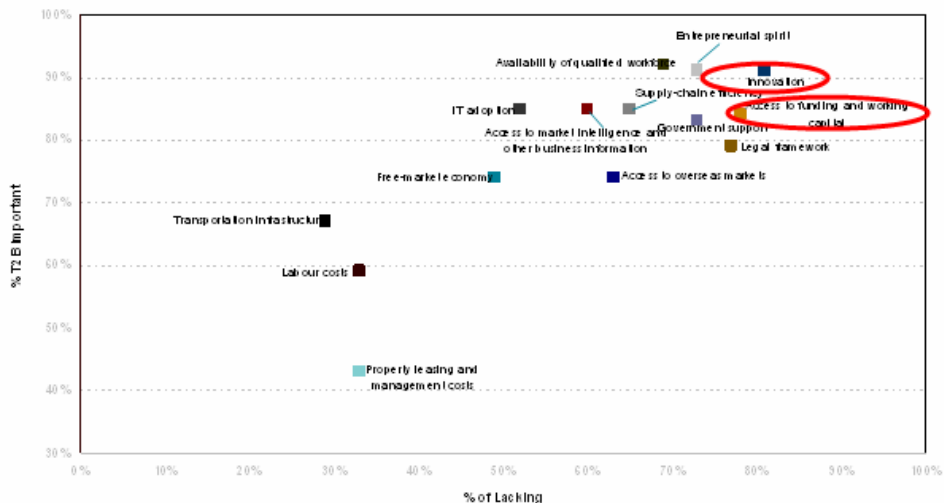
Q. Which of the following statements best describes the changes that you will make to your supply chain practices in the current economic conditions? SC



APPENDIX 4

Contributions & Obstacles to SME Competitiveness – China

Q. How important are each of the following factors in contributing to SME competitiveness in your country?
 Q. Which of the following factors do you consider to be lacking and which therefore are obstacles to SME competitiveness in your country?

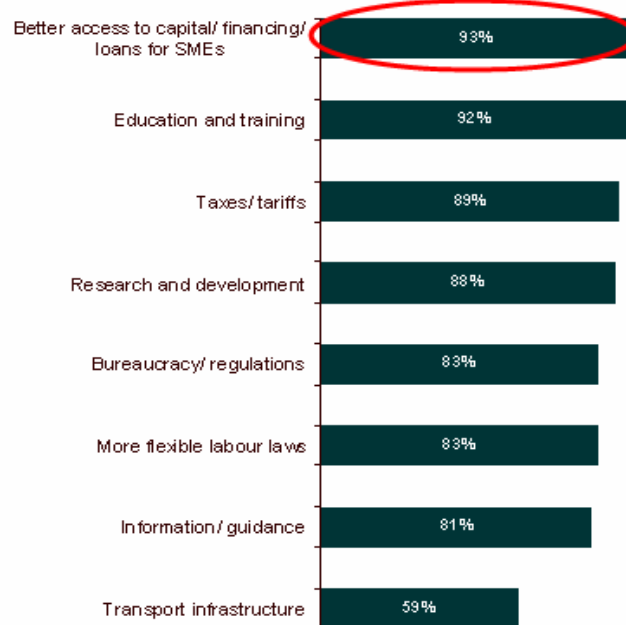




APPENDIX 5

Government Focus – China

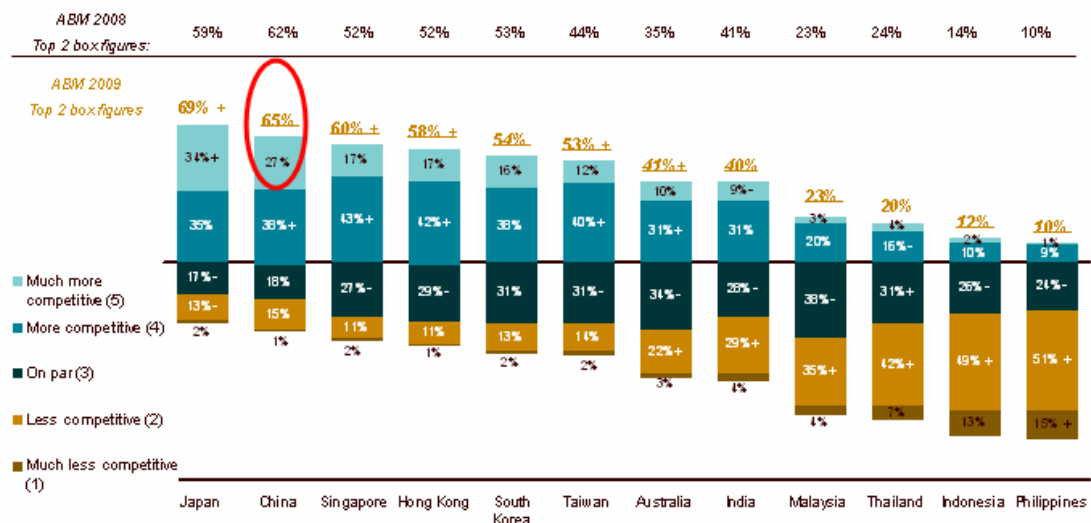
Q. Which of the following aspects should your government focus on to help small and medium businesses to become more competitive? MC



APPENDIX 6

SME Competitiveness – All Markets

Q. How would you rate SMEs in each of the following countries compared with SMEs in your own country? Please rate on a scale of 1 to 5, where 5 equals "much more competitive than my own country" and 1 equals "much less competitive than my own country"?

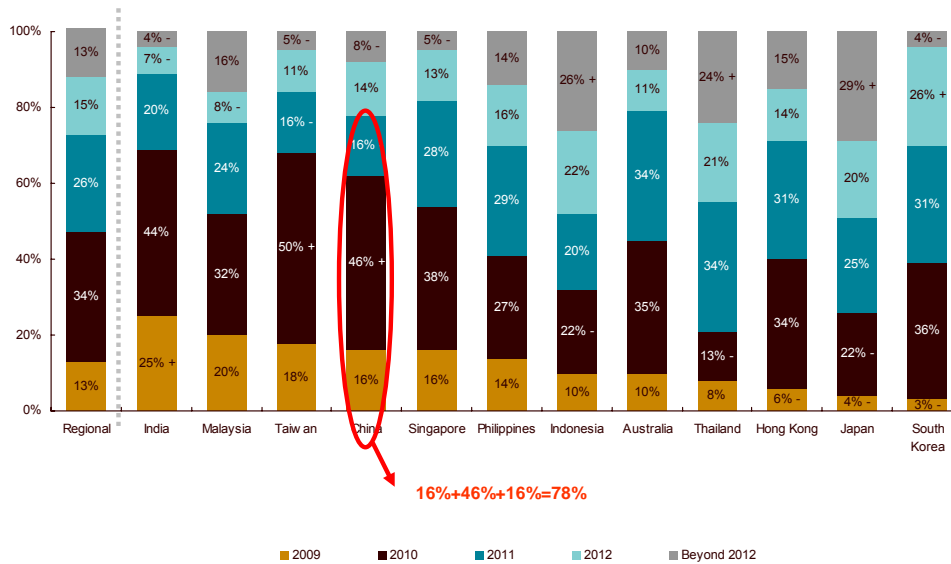




APPENDIX 7

Time Frame of Global Economic Recovery

When do you think the global economy will recover? SC



Base : Asia Pacific in 2009
 +/- : Significant difference versus Total (at 95% confidence level)

APPENDIX 8

Issues Perceived to Lead to Economic Recovery - By Markets (1/2)

Q11. What would it take for your country's economy to recover? MC

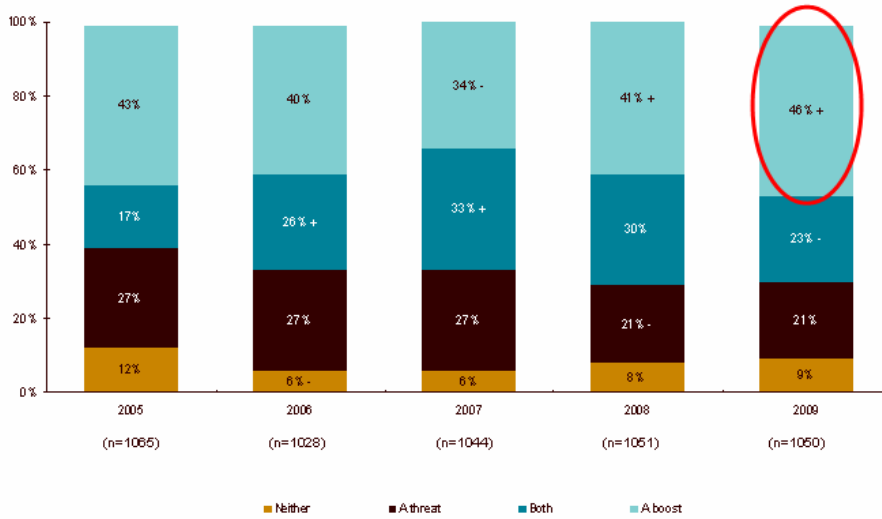
Market	All Markets	Australia	China	Hong Kong	India	Indonesia	Japan	South Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand
Sample size	n=200	n=100	n=100	n=100	n=100	n=50	n=100	n=100	n=100	n=100	n=100	n=100	n=100
NET - Government Regulation / Policies	46%	30%	51%	42%	45%	64%	34%	45%	36%	65%	31%	43%	53%
Greater government regulation of key industries	10%	3%	3%	6%	11%	18%	9%	1%	14%	19%	6%	6%	2%
Government's financial incentive / policies	8%	5%	9%	9%	6%	6%	3%	9%	17%	3%	7%	8%	9%
Political stability	6%	0%	1%	1%	2%	4%	2%	5%	5%	5%	1%	12%	30%
Government's policies	5%	2%	6%	7%	4%	8%	5%	6%	2%	2%	5%	8%	11%
Increase employment opportunities	5%	6%	1%	9%	2%	6%	5%	8%	0%	13%	2%	4%	4%
More spending on infrastructure	4%	10%	3%	2%	2%	4%	0%	0%	6%	9%	3%	5%	0%
Better government administration / Reduce red tape	4%	1%	2%	3%	2%	8%	0%	4%	2%	7%	1%	5%	10%
Lower interest rate & tax	3%	4%	2%	2%	8%	2%	0%	1%	8%	2%	5%	2%	3%
Increase subsidies to SMEs	3%	0%	4%	6%	4%	8%	2%	7%	2%	0%	3%	1%	1%
Reduce corruption & bureaucracy	3%	1%	0%	0%	3%	16%	0%	0%	3%	18%	0%	0%	2%
New leader of the government	2%	2%	0%	0%	5%	0%	7%	0%	4%	4%	0%	0%	1%
NET - Economy Performance	45%	49%	55%	47%	34%	40%	61%	30%	40%	31%	50%	58%	37%
U.S. market recovery and growth	11%	14%	5%	13%	11%	4%	18%	10%	7%	7%	20%	13%	10%
Return to consumer confidence and resumption in spending	11%	18%	15%	6%	7%	12%	17%	7%	13%	0%	7%	13%	10%
Restructuring of economy	8%	5%	10%	7%	8%	16%	27%	7%	4%	4%	5%	8%	2%
Global economic recovery and growth	7%	8%	9%	15%	5%	0%	5%	2%	8%	1%	10%	14%	3%
Disincentive to re-wind market	6%	5%	4%	6%	10%	2%	8%	6%	5%	4%	3%	14%	6%
Consolidation of domestic market	5%	1%	20%	2%	1%	6%	7%	4%	3%	2%	0%	4%	5%
Increase trade volume	5%	10%	4%	1%	9%	2%	1%	3%	7%	3%	4%	8%	5%
Increase investment	4%	2%	2%	7%	4%	2%	0%	1%	4%	13%	7%	2%	2%
NET - Manpower / Talents / Resources	10%	1%	5%	5%	9%	24%	5%	18%	10%	13%	12%	3%	22%
Training for the workforce / availability of talent	5%	1%	4%	5%	1%	20%	5%	1%	6%	3%	11%	2%	6%
NET - Growth of Industries	7%	7%	6%	10%	6%	4%	3%	2%	3%	3%	5%	8%	13%
Growth of agricultural sector	2%	2%	2%	0%	1%	2%	0%	0%	3%	5%	0%	0%	2%
Tourism	2%	0%	1%	3%	0%	0%	0%	0%	4%	0%	4%	2%	5%
Growth/stability of finance industry	2%	4%	1%	6%	1%	0%	3%	1%	1%	0%	1%	3%	1%



APPENDIX 9

China: Boost or Threat? – Trend since 2005
– All Markets

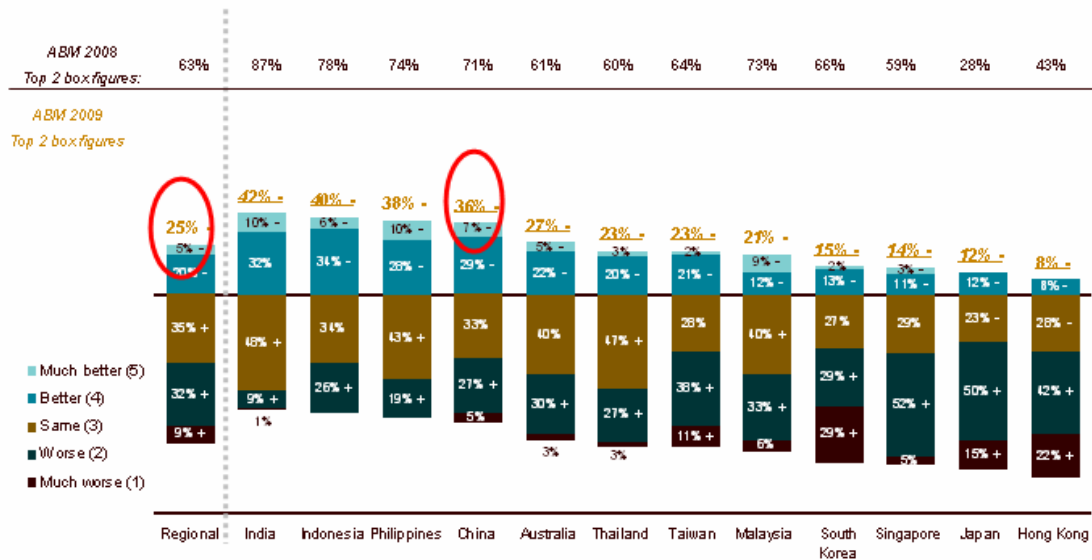
Q6a. Do you consider the growing predominance of China to be a threat and/or a boost to business in your own country? SC



APPENDIX 10

Q2. On a scale of 1 to 5, where 5 equals "much better" and 1 equals "much worse", do you think your company's overall prospects in 2009 will be better, worse or about the same as 2008? SC

Mean overall top 2 box score for Asia Pacific region: 25%

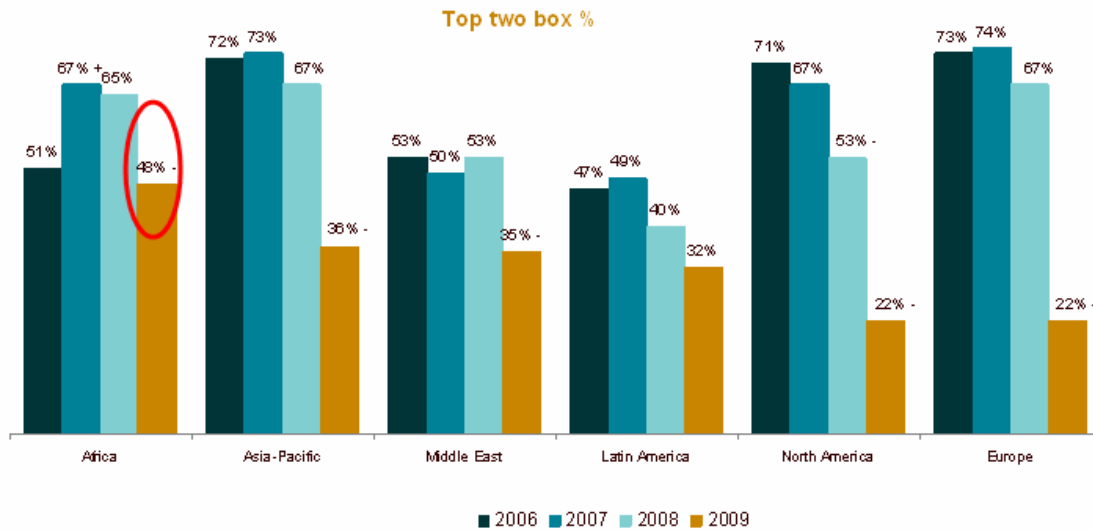




APPENDIX 11

**Prospects for Trade Growth from 2006 to 2009
– China**

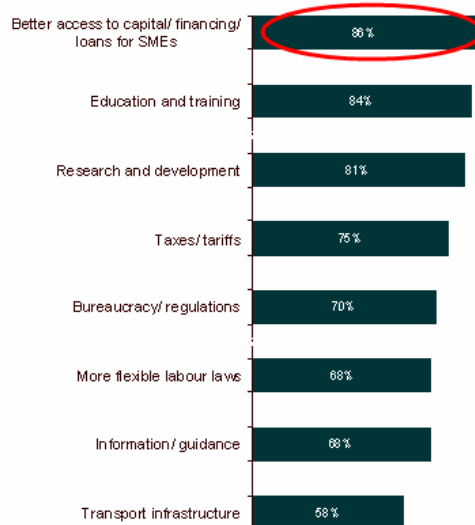
Q4. On a scale of 1 to 5, where 5 equals "grow strongly" and 1 equals "decline strongly", how do you rate the prospects for volume of trade growth between your country and the following in 2009?



APPENDIX 12

Government Focus – Regional

Q. Which of the following aspects should your government focus on to help small and medium businesses to become more competitive? MC





APPENDIX 13

Biggest Growth Opportunity – All Markets

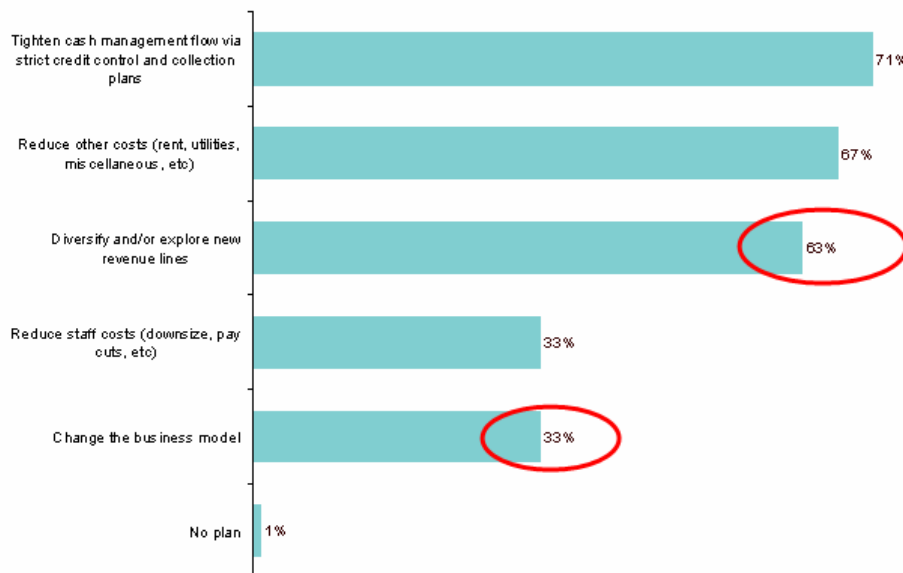
Given the current global economic condition, what is the single biggest growth opportunity you can think of? SC



Base : Asia Pacific in 2009 15

Plans to Sustain Business and Fight the Effects of a Global Economic Recession – Regional

Q12. What contingency plans do you have in place to sustain business and fight the effects of a global economic recession?





APPENDIX 14

Perceptions of Economic Growth in Next 12 Months For Asia Pacific

Q1. On a scale of 1 to 5, where 5 equals "grow strongly" and 1 equals "decline strongly", how do you rate the prospects for economic growth across the region in 2009? SC

Top 2 box score for Asia Pacific region: 15%

