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HK SMES SIGNAL NEED FOR NEW BUSINESS MODELS IN CURRENT ECONOMY

UPS survey reveals HK SMEs expect a global recovery after 2010

Hong Kong, May 26, 2009 – Hong Kong small-to-medium sized businesses (SMEs) anticipate a global economic recovery is likely to take place only after 2010. And these SMEs acknowledge they must transform the way they do business in order to start a new chapter when economic recovery returns, according to the UPS Asia Business Monitor (ABM) 2009, an annual survey conducted on competitiveness and issues facing SMEs in Asia.

The research shows that 60 per cent of the Hong Kong SMEs believe the global economy will recover after 2010, a higher percentage than the regional average of 54 per cent. In other Asia Pacific markets, India and Taiwan are the most optimistic with 69 per cent and 68 per cent respectively believing that the global economy will recover between this year and next year. (Please see Appendix 1)

According to ABM 2009, Singapore SMEs had the least optimistic view about the prospects for economic growth across the region in 2009 with 96 per cent feeling the economy will stay the same or worsen in 2009, closely followed by Hong Kong SMEs at 95 per cent. (Please see Appendix 2)

In contrast to other SMEs in the Asia Pacific, almost 60 per cent of the Hong Kong SMEs believe that changing the business model is the most important factor for them to sustain their business and survive the recession. This sentiment is the most significant in the region, compared to the regional average of 33 per cent. (Please see Appendix 3)

“The UPS survey this year has identified a fundamental shift in the mindsets of Hong Kong SMEs. It is no longer about making short term adjustments and waiting for the next boom cycle to begin. Hong Kong SMEs realize it is a strategic imperative to make fundamental changes to their businesses, and to do so now, so that they can be well-positioned for the next phase of growth,” said Mr. KK Leung, Managing Director of UPS Hong Kong and Macau.

In exploring changes to the business model, Hong Kong SMEs are evaluating new markets (18 per cent), moving to higher value-added products and services (17 per cent), as well as forging new business ventures, acquisitions or partnerships (14 per cent). Transitioning to higher value-added products and services is also on the agenda for a significant proportion of SMEs in the region (29 per cent), suggesting high levels of competition in some areas. (Please see Appendix 4)

Sunset and Sunrise Industries

Hong Kong SMEs believe the manufacturing sector is fading out as an important pillar for the next three-to-five years and are turning their hopes to leisure and tourism (45 per cent), as well as retail (27 per cent) as the key economic pillars over the next three to five years. (Please see Appendix 5) Reflecting Hong Kong's role as an international financial hub, 60 per cent of Hong Kong SMEs remain confident about the financial services sector and believe it will continue to be important, in stark contrast to the Asia Pacific average of 22 per cent.

Expectations of the Government

According to ABM 2009, Hong Kong SMEs are expecting more support from the government, in terms of current regulations, with 42 per cent indicating that government regulations and policies play an important role in reviving Hong Kong's economy. In addition, Hong Kong SMEs feel strongly about the role of China (11 per cent) and cost management (7 per cent), again in contrast to the Asia Pacific averages, both at 2 per cent. (Please see Appendix 6)

Specifically, Hong Kong SMEs hope to see more government action in the areas of education and training (94 per cent), financial support (91 per cent) and research and development (87 per cent). Expectations of the government in Hong Kong are generally much higher than expectations of SMEs in other markets. (Please see Appendix 7)

"Hong Kong SMEs are at the point of change, evaluating what new paths they should explore. We are confident that Hong Kong SMEs will have the resilience to overcome the obstacles with determination to ready themselves to compete in the new arena," Mr. Leung added.

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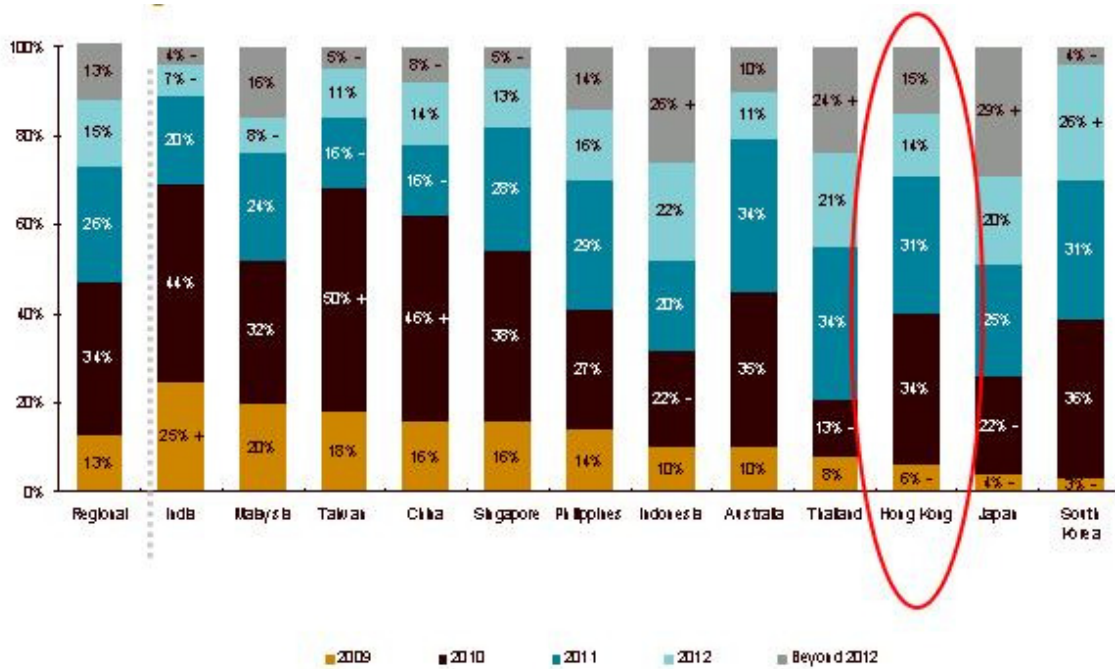
Notes to Editors

- UPS Asia Business Monitor 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 Asia Business Monitor 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, using the respondents' native language in Hong Kong. SMEs are defined as companies with fewer than 250 employees.
- Interviews were conducted in the following 12 markets: Australia (100 respondents), China (150), Hong Kong (100), India (100), Indonesia (50), Japan (100), Korea (100), Malaysia (100), the Philippines (100), Singapore (100), Taiwan (100) and Thailand (100).
- Respondents were from a range of industries: automotive, garments & textiles, healthcare & pharmaceuticals, toys & sporting goods, electronics & electricals, gifts & housewares, timepieces, jewellery & optical goods, and others.
- The average SME has been in business for nearly 22.6 years.
- Graphs and charts from the UPS Asia Business Monitor 2008 are available by contacting Ms Dawn Lai at UPS Hong Kong on +852 2737 4053 or dlai@ups.com, or Rita Ngai at Ogilvy Public Relations Worldwide on +852 2884 8584/ +852 6801 2170 or rita.ngai@ogilvy.com.
- Full presentation deck is also available at <http://www.ups.com/abm>.

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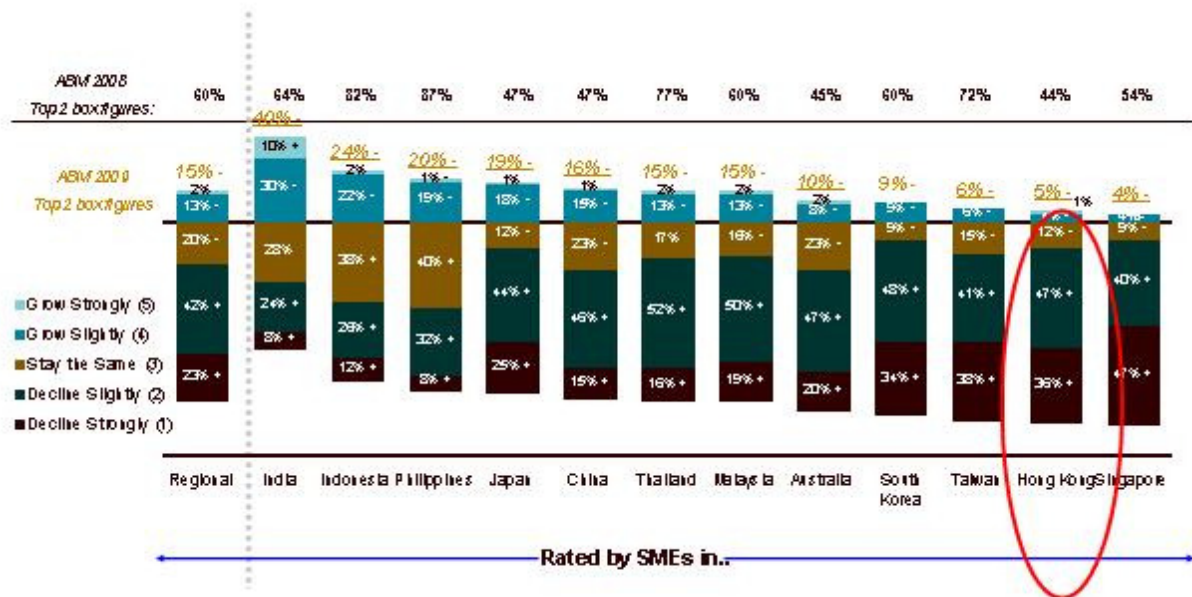
Appendix 1

Q: When do you think the global economy will recover?



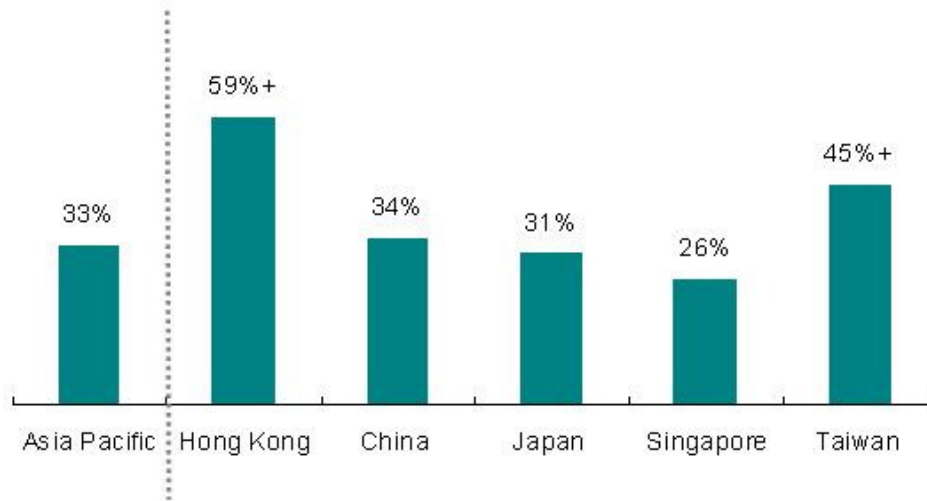
Appendix 2

Q: How do you rate the prospects for economic growth across the region in 2009?



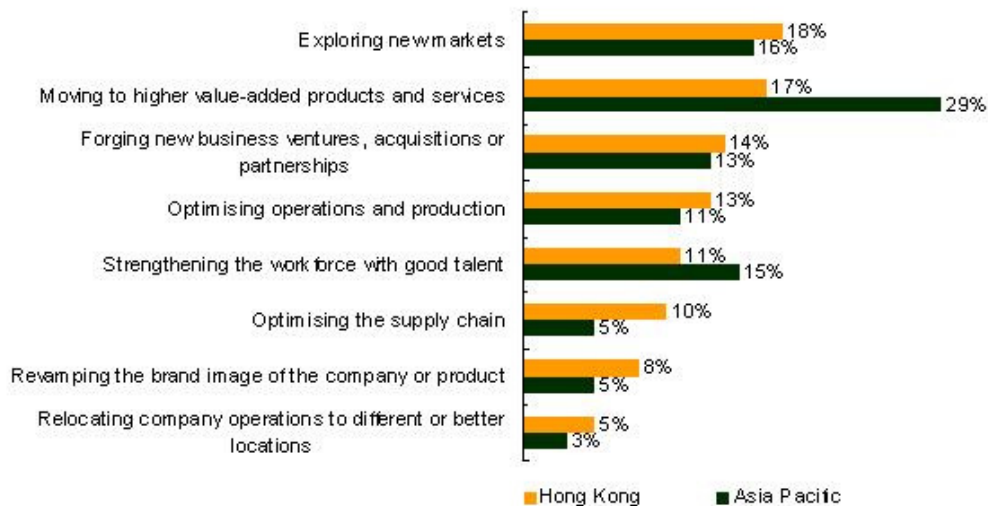
Appendix 3

Q. How important is changing the business model to sustain your business and fight the effects of a global economic recession?



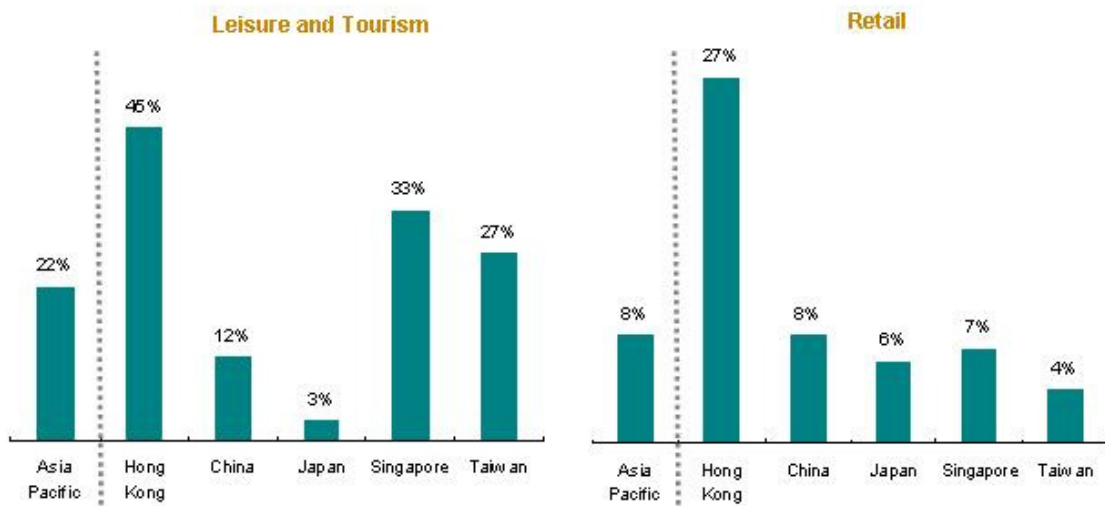
Appendix 4

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



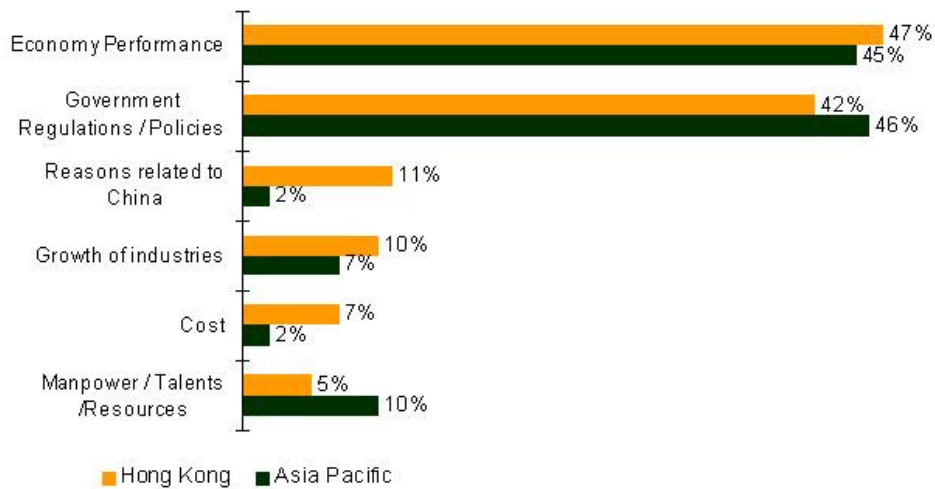
Appendix 5

Q. Given the changes in the financial services sector, which three industries will be the key economic pillars for your country over the next 3 to 5 years?



Appendix 6

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



Appendix 7

Q. Which of the following aspects should your government focus on to help SMEs to become more competitive?

