

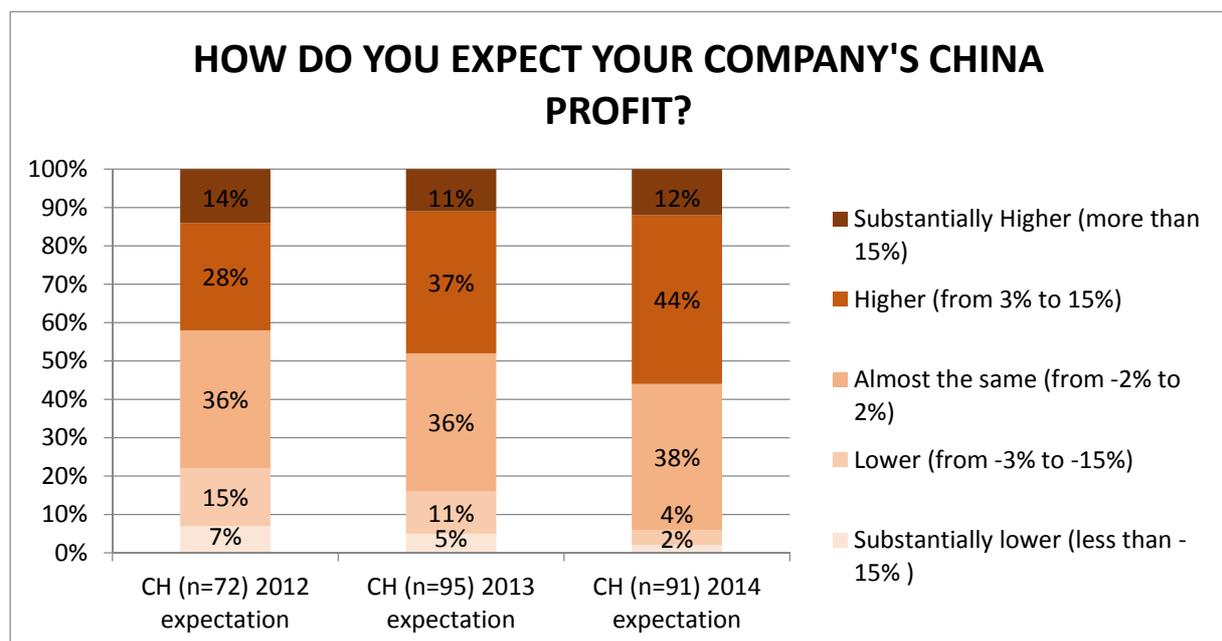
PRESS RELEASE

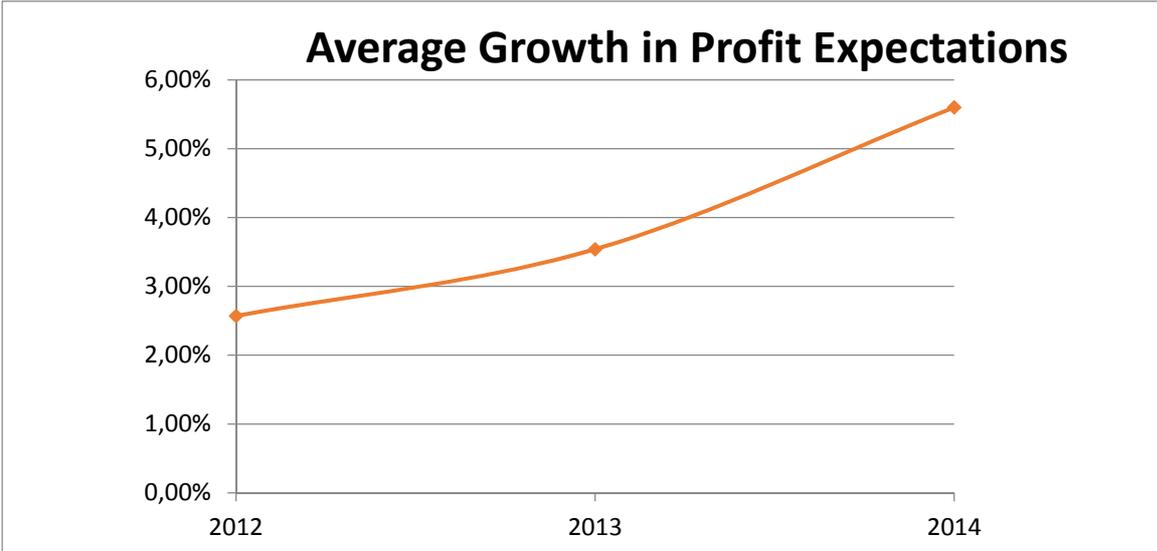
Swiss companies in China particularly successful

- *In 2014, sales and profits of Swiss companies in China are in continued acceleration. Swiss companies expect a **profit increase of 5.6% on average**, year-on-year, according to the recent “Business in China 2014 Survey”.*
- *China is becoming a venue for SME success: Swiss **SMEs achieve better results** than larger companies.*
- *Swiss companies remain the most confident about their business in China in the next 5 years, and **almost two third of Swiss companies plan to increase investments in China**.*
- *Finding and retaining human resources remains the biggest challenge. Private **Chinese companies rise to become the fiercest competitors**.*

Shanghai (21 August 2014) – In 2014, sales and profits of Swiss enterprises in China are in continued acceleration. Expectations of annual profit increase have more than doubled since 2012, according to the recent “Business in China” survey from the Swiss Center Shanghai (SCS), China Integrated and the China Europe International Business School (CEIBS).

“In 2014, Swiss firms in China expected on average profit increases of 5.6% compared to 2013. In comparison the figure was 3.5% in 2013 and 2.6% in 2012”, explains Nicolas Musy, Managing Director of the non-profit organization Swiss Center Shanghai, the largest cluster of Swiss enterprises in Asia.

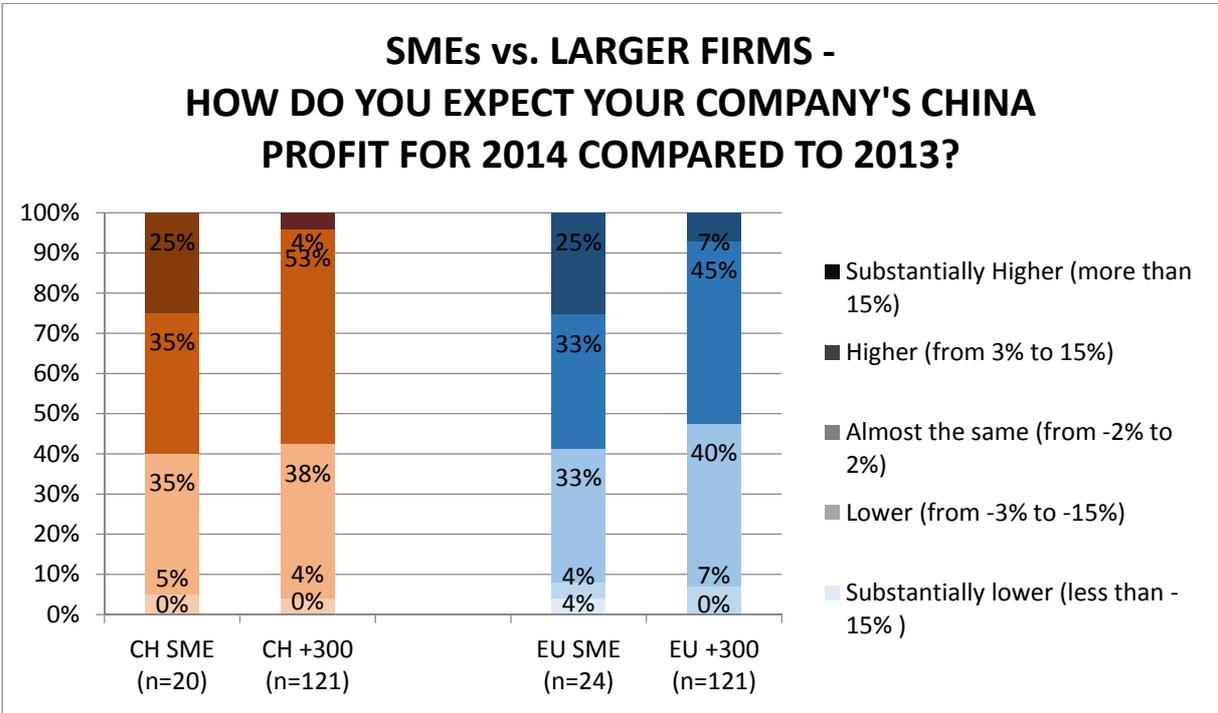




SMEs are doing surprisingly well

The **first analysis of foreign SMEs in China** shows that the market has become a venue for SME success, and Swiss SMEs are doing particularly well. “Swiss and European SMEs in China are now more than ever seeing higher percentages of global sales generated in China”, says Mr. Musy.

In the survey, companies with less than 300 employees worldwide were counted as SMEs. On average, all companies see their sales and profits improving in 2014, yet: “Respondents of SMEs see their profits increasing significantly faster than their colleagues from larger firms”, says Musy.

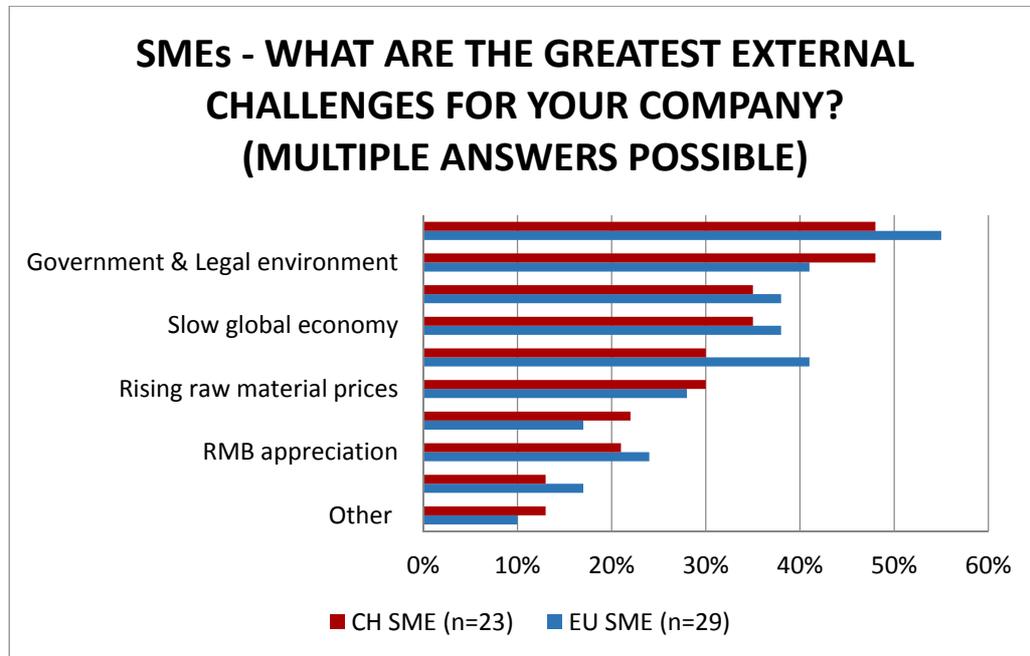


With over 1000 responses, the “Business in China 2014” survey gathers the largest amount of respondents in one such yearly survey. It is the only survey that collect responses from Chinese as well as foreign companies in China. With 104 respondents the survey gathers a strong sample of the Swiss firms in China.

Environment less competitive for SMEs?

“A possible reason for the strong success of SMEs is probably an environment that is less competitive for them”, explains Mr. Musy. Indeed “**Fierce Competition**” comes quite a few steps lower in the ranking of external challenges they face when compared to the larger firms.

In addition and very interestingly, SMEs rank their external challenges lower than their larger counterparts, with the exception of “**Government & Legal Environment**”. For example “**Economy Slowdown in China**” is mentioned as a challenge by 35% of Swiss SMEs but by close to 50% of larger firms.

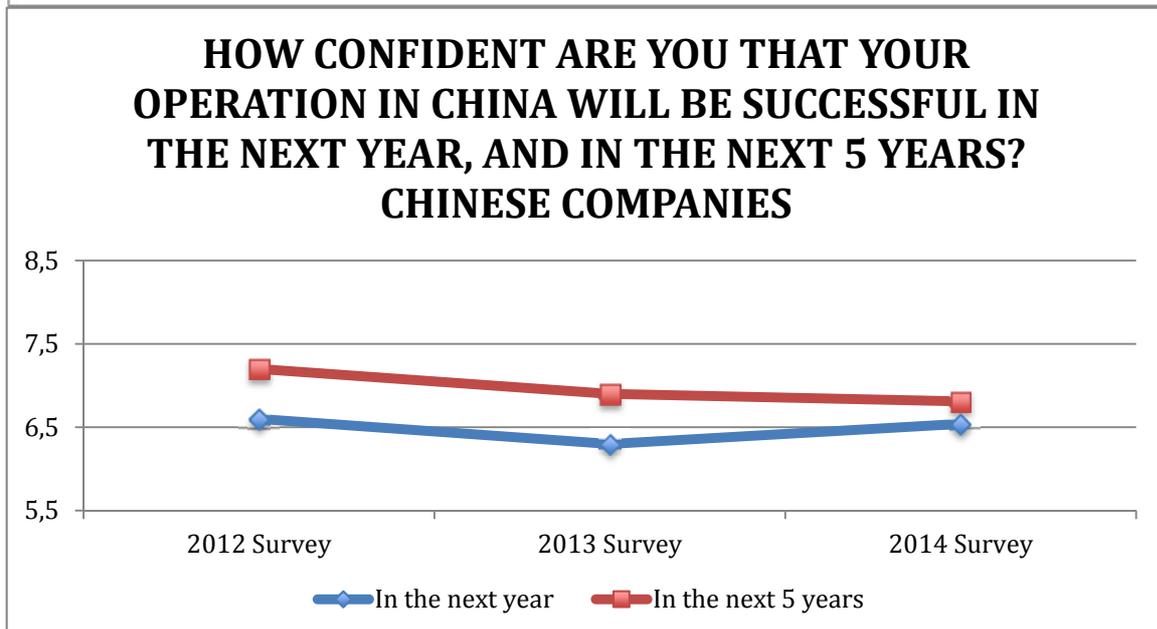
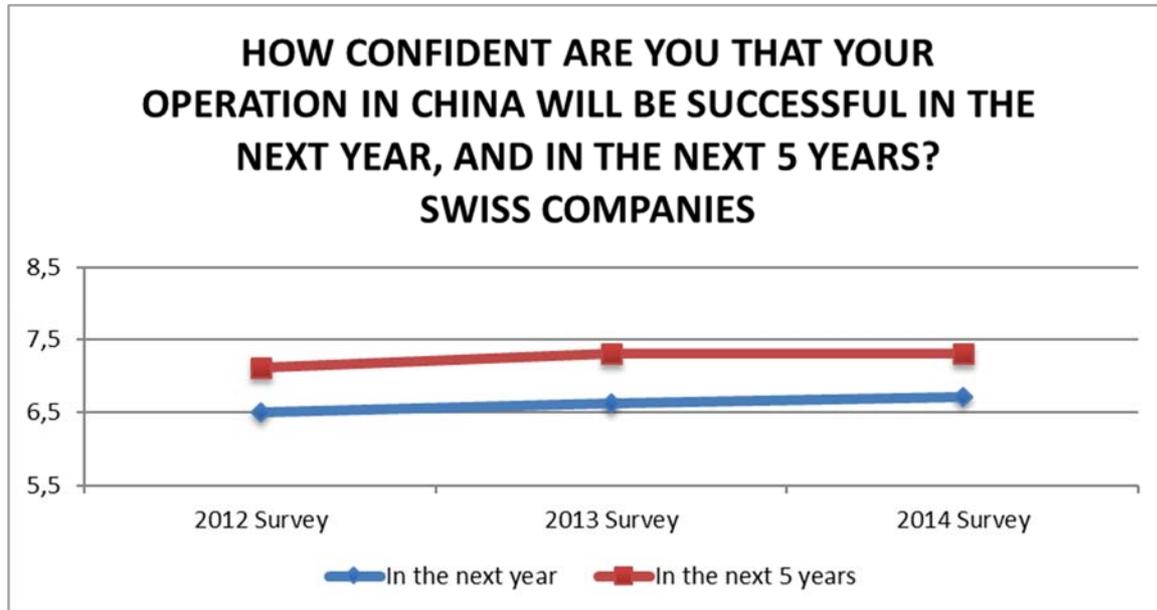


Mr. Musy: “This lower level of competition and challenges could well be due to the SMEs very nature of doing business: focusing on niches.” Indeed, China’s mass market is very attractive, but therefore also terribly competitive in mainstream businesses.

64% of Swiss companies plan to increase investments in China

“Based on the profit and revenue picture, it is not surprising to see growing investment plans and investments in China taking a high priority”, explains Mr. Musy. 64% of the Swiss companies plan to increase investment in China in 2014 and more than half of them consider China as a top 3 investment destination.

In consistence with strong investment intentions, Swiss respondents also remain the most confident (more than the Chinese) – particularly on the long term.

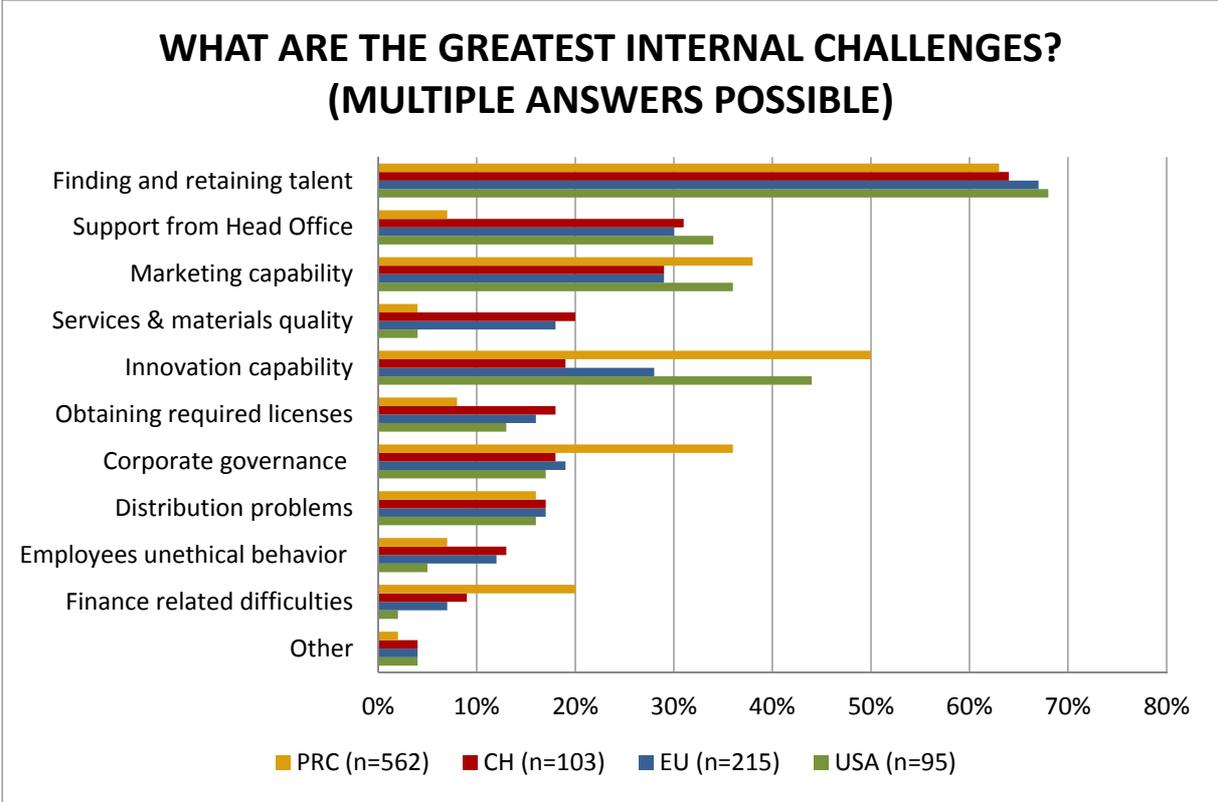


Lack of understanding from headquarters

The key management challenge in China remains finding and retaining human resources (HR). “As a consequence, human resources remain the central element for success, as it has been since we started surveying companies seven years ago”, says Mr. Musy. **The HR challenge has however eased** since last year: a bit over 60% of Swiss companies mention it while they were close to 80% a year before.

But, for the second year in a row, “**Lack of understanding and support from the head office**” is the second most important management challenge for international companies and an issue for 30% of them. This confirms the difference in perception of the managers seeing China from abroad and those managing

in China. Mr. Musy: “bridging this understanding gap is an important opportunity to support the development of Swiss and foreign businesses in China.” Marketing capabilities are also an issue for close to 30% of Swiss companies.

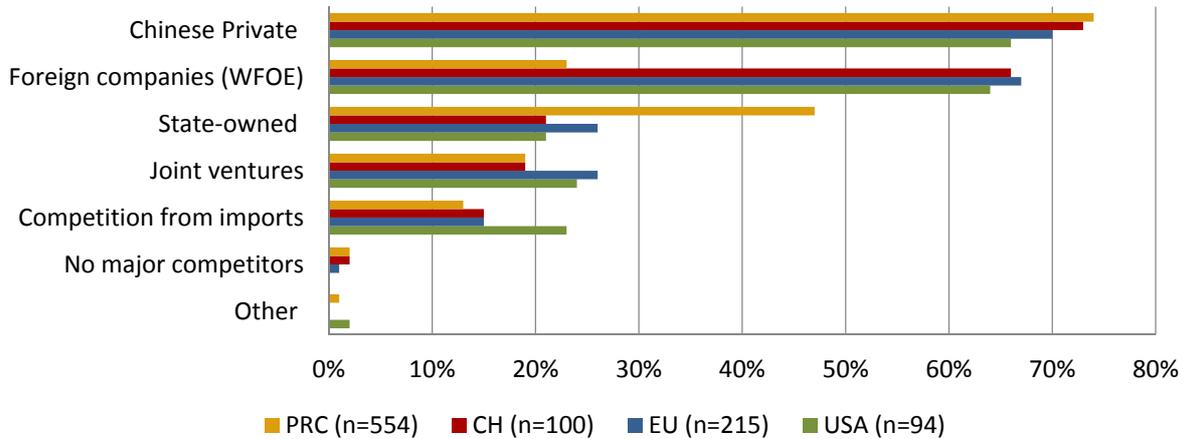


Private Chinese companies pose the most competition

Most interestingly, international companies in China now perceive local private players as their greatest competitors, a marked shift from the past years where respondents reported international companies as posing the greatest competition. This perspective is shared by Chinese companies that see Chinese private companies as their most important competitors by far.

Musy: “Competition from private Chinese companies will most likely become fiercer as the Chinese government is due to support the private sector with more incentives as part of its economic reform agenda.”

WHO ARE YOUR MAJOR COMPETITORS IN CHINA? (MULTIPLE ANSWERS POSSIBLE)



Picture legend: Supporting Swiss companies in the Far East: Swiss Center Shanghai newly opened Machinery, Trade and Business Center in the China Pilot Free Trade Zone.

Picture source: swisscenters.org

About Swiss Center Shanghai (SCS): Founded in 2000, SCS is a platform supporting operations of Swiss companies in China and Asia. It is by far the largest cluster of Swiss businesses in Asia with a unique experience in business set-up, expansion and operations management. SCS not only offers instant workshop, office and desk space, but also supports its members with government relations and a comprehensive network of experts. SCS served more

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than 200 companies in China – both SMEs and large enterprises. Among other, the SCS experts have established 20 production companies and more than 30 commercial offices for Swiss companies. For more information, kindly visit: www.swisscenters.org.

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