



EMPLOYMENT MARKET OVERVIEW

Staffing levels in white-collar markets are stabilising after the fall in hiring activity that occurred in the fourth quarter of 2008 and early part of 2009. Our annual employment survey, which this year includes responses from 250 senior managers from leading organisations in the corporate, financial services and public sectors in Hong Kong, reveals 51% of respondents believe their headcount will remain stable over the coming 12 months. A further 34% predict their staff numbers will increase, with only 15% saying more cuts are likely.

These figures substantiate the view that most white-collar employers have already made their deepest staff cuts and are now looking to increase or at least maintain headcount. Business confidence is also increasing and 63% of employers surveyed think trading conditions will improve further by the end of the 2009.

We have seen staffing levels stabilise in recent months as a sense of cautious optimism returns to the market. Most recruitment activity is for replacement hires but we are also seeing new jobs being created, particularly within start-ups that are focusing on mainland business opportunities. Multinationals are still recruiting in Hong Kong and activity levels are improving in

sectors such as financial services. The frustration for job seekers is that many of the final hiring decisions are being made outside of Hong Kong, in global headquarters located in the United States and Europe. This trend has prolonged the recruitment process and job seekers are having to wait longer for the final decision to be made.

Most demand is for permanent staff but there has been a slight increase in contract opportunities, primarily at the administrative level in accounting and for specialist technical skills in marketing, engineering, procurement and supply chain. People who accept contracts in the current market may be offered their roles on a permanent basis as business conditions improve. Employers will want to retain these valuable skills to position themselves for growth during the upturn.

The retention of skills has remained an important consideration despite the deterioration in business conditions over the last 12 months. To avoid staff cuts many companies have pursued alternate strategies of payroll cost reduction. Our employment survey reveals 48% of companies have frozen salaries, 13% have reduced their office rental costs and 7% have reduced working hours.

While employers have been strategic in their approach to retention, many are operating under a misconception when it comes to the ease with which new staff can be recruited. The pool of active job seekers may have increased but in the majority of situations the most talented and well regarded professionals have been retained. These workers remain cautious about changing jobs despite early signs of market stabilisation. To attract them, employers need to offer competitive salaries and demonstrate the role is secure with the opportunity for growth.

Our forecast for the next 12 months is for a steady increase in hiring activity rather than a sharp recovery. Employment tends to be a lagging indicator and jobs growth will only occur after sustained improvement in consumer and business confidence. The second half of the year is likely to see moderate improvement off a stable base, with new job creation a more realistic proposition for early 2010.

We anticipate salary levels will remain constant or increase marginally for people who remain in their roles. Those who change jobs can expect an average increase of 5-10% although the stability of the role and opportunity for progression are also key consideration points.

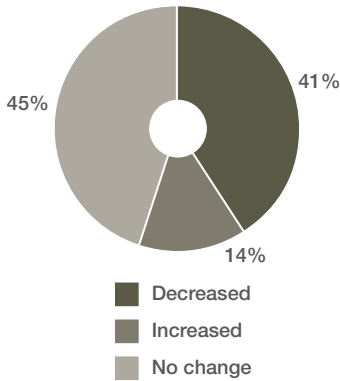
SECTOR TRENDS – ENGINEERING & SUPPLY CHAIN

- The engineering and manufacturing sector has experienced some of the worst trading conditions in recent times. Factories across southern China have been closing at a rapid rate with some of the hardest hit being in the automotive, toys and consumer electronics industries.
- With less demand for goods, and manufacturers either shutting down or significantly downsizing, the procurement and supply chain sector has also been adversely affected. The reduced spend on purchasing and sourcing of materials has meant most multinational organisations have been impacted by reduced headcount and hiring freezes.
- We are beginning to see the first signs of improved market sentiment as we enter the second half of 2009, particularly in the more resilient sectors of technology, telecommunications and pharmaceuticals. The financial services sector is also seeking to implement changes to supply chain, vendor management and purchasing processes. This will translate into increased hiring activity for procurement and supply chain professionals in the latter part of this year and early 2010.
- With a greater emphasis on quality and best practice, we have seen an increase in demand for experienced quality and lean engineering professionals in the manufacturing sector. Senior logistics professionals with general management experience are also in demand, especially in the telecommunications sector.
- Most recruitment activity is for permanent employment, but we are seeing an increase in the volume of contracting roles on offer. This is predominantly within financial services and multinational organisations, where there are restrictions on permanent headcount.
- There has been a decline of up to 10% in salaries for senior management roles in engineering, manufacturing and supply chain. Roles at junior and middle management levels have remained stable across all sectors. Bonuses are still being paid, although at reduced levels from last year.

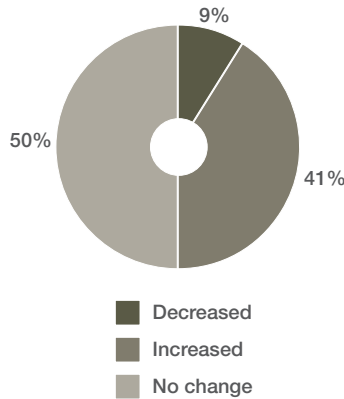


MARKET RESEARCH RESULTS

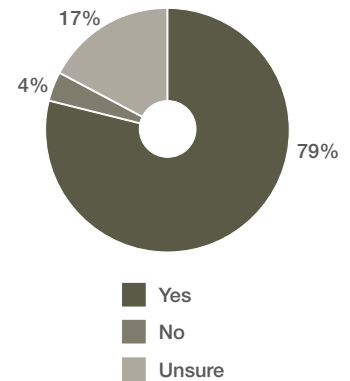
Over the last six months, how has your headcount been impacted by the global economic downturn?



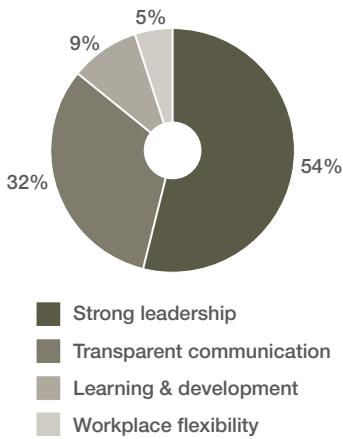
In the next 12 months, how do you see your headcount being impacted?



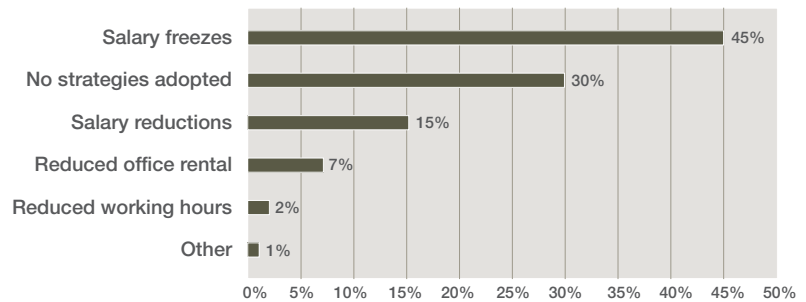
Do you anticipate business conditions will start to improve by the end of 2009?



What employee engagement strategies are proving most effective in the current environment?



What strategies has your organisation implemented to avoid job cuts?





SALARY TABLES ENGINEERING

Role	Experience	HK\$'000
ENGINEERING		
Mechanical/Chemical/Electrical Engineer	4-7+ years	350-600
Manager	10+ years	600-900
Director/Vice President	15+ years	900-1.3 million
MANUFACTURING/OPERATIONS		
Production/Assembly Manager	7-10+ years	500-700
Plant/Factory Manager	10-12+ years	600-1 million
Director/Vice President	15+ years	900-1.3 million
Chief Operations Officer	15-20+ years	1.3-1.8 million
QUALITY & LEAN MANUFACTURING		
Six Sigma Leader	6-10+ years	500-800
Quality Manager	6-10+ years	500-1 million
Continuous Improvement Director	15+ years	900-1.2 million
Quality Director/Vice President	15+ years	1-1.5 million
PROJECTS		
Project/Program Manager	5-8+ years	400-800
Project/Program Director	8-15+ years	800-1 million

PROCUREMENT & SUPPLY CHAIN

Role	Experience	HK\$'000
PROCUREMENT		
Purchasing Officer	3-6+ years	300-550
Procurement Manager	6-10+ years	600-900
Country Head	8-12+ years	900-1.2 million
Regional Vice President/Director	12-15+ years	1.1-1.5 million
SUPPLY CHAIN		
Inventory/Planning Manager	4-7+ years	300-500
Assistant Supply Chain Manager	9+ years	450-600
Supply Chain Manager	8-12+ years	700-900
Regional Vice President/Director	15+ years	1.2-1.5 million
LOGISTICS/WAREHOUSING/DISTRIBUTION		
Assistant Manager	3-6+ years	300-450
Manager	5-8+ years	450-700
Senior Manager	8-12+ years	600-900
Director/Vice President	15+ years	900-1.3 million

Please note:

- Salaries indicated are based on an annual basic salary, excluding bonus/incentive schemes.
- Market rates are becoming much less uniform. While we have taken great care, these salary ranges can only be approximate guides, as there are often specific circumstances relating to individual companies. Please call us for additional information.



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