



ambition

Accounting & Finance Recruitment
Market Trends & Salaries Report

ambition

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Introduction

2007 has proven to be another buoyant year for the recruitment industry in Hong Kong.

Ambition has seen its financial recruitment business expand significantly on the back of demand from our clients for newly created headcount and the replacement of accountants leaving their organisations.

The three key issues which continue to plague companies are: Skills shortages, escalating salaries and retention challenges.

As a 10% pay hike is the minimum someone can expect to attain by changing jobs, there has been a good deal more opportunism from candidates. As always, the top few per cent of candidates are those in greatest demand and this group has been able to pick and choose opportunities with the very best organisations.

As a result, we have seen an increasing number of job offers declined and we have also seen a slightly worrying trend of candidates renegeing on their written commitments to join businesses. Whilst this shouldn't be condoned, it is reflective of a very hot market and some quite exceptional counter offers being made to retain people. Employers are only too aware of the difficulties in replacing high calibre staff and they are fighting hard to convince people to stay.

With the Hong Kong economy so buoyant, it has been no surprise that all industry sectors have seen substantial demand for accountants. In addition, the continued growth of China has created more accounting jobs in the Hong Kong market.

The traditional hunting ground for high calibre accountants has been the Big Four but they too are recognising the costs of losing people and have raised their salaries. This has starved the market of talent which has pushed up salaries even further.

Rather worryingly for employers, it is hard to see salaries levelling off unless supply increases or demand drops. Even the most proactive of initiatives is unlikely to impact supply of talent, so perhaps only a market downturn is going to restore salaries to more sober levels.

The impact of the US subprime credit crisis at the time of writing has been hard to gauge. There is no question that recruitment is confidence driven, so it is inevitable that any uncertainty is going to impact employers' willingness to hire new headcount.

As the situation unfolds and we see more disappointing results from major financial institutions, one is fearful of it also impacting the earnings of companies in the commercial sector, which may then spill over into the wider economy.

Even with an economic impact from the US credit crunch, the fundamentals seem reasonably sound in Hong Kong and it is hard to see the economy taking a significant dip. Consequently, we anticipate another strong, if more modest, year in financial recruitment.

I do hope you enjoy reading this report and if you do have feedback or would like to talk to me personally then please do not hesitate contact me.

May I take this opportunity to wish you the very best in business for 2008.



Guy Day
Managing Director – Asia



Market Overview



The recruitment industry continues to thrive on Hong Kong's buoyant economy, and 2007 has seen another busy year for our accounting and finance team.

In commerce we have seen a continued increase in recruitment as consumer spending has risen on the back of falling interest rates, a healthy labour market, rising incomes, low inflation and the increase in tourist arrivals, particularly from the mainland.

Recruitment levels are also affected by Hong Kong's convenient location, as international companies are drawn to the city to set up their Asian headquarters. According to a recent government survey, these companies employ almost 346,000 people in Hong Kong, accounting for one in 10 of our working population.

Hong Kong is the perfect middle ground between Mainland China and the international business community and offices in Hong Kong are staffed with people who understand the workings of multinational companies, as well as the culture and often the language of the mainland. They are invaluable to international companies looking for a way into China.

In recent years, Hong Kong has competed with Singapore and Shanghai for talent, as some companies have economised by moving to these less expensive cities, but we are seeing some consolidation as rents and general cost of living creep up in these other Asian business hubs. Companies, unable to achieve significant cost savings by moving out of Hong Kong, are opting instead to take advantage of the ease and familiar business culture that make Hong Kong such a unique proposition, while perhaps considering less expensive office locations away from the central business district.

Many of the new positions created by new and expanding businesses in Hong Kong are now filled by recruitment companies, as firms are demonstrating greater reliance upon the expertise and sophistication of specialists to solve staffing problems.

Although this is good news for recruitment companies, they are also challenged by the severe skills shortage in the region, as the traditional talent pool has run worryingly dry. This problem is exacerbated by rising turnover rates, which have left companies needing to replace leavers as well as fill new positions to meet growth demands.

High demand and low supply have inevitably led to steady salary rises. However, we are not experiencing the dramatic salary increments in commerce that we have seen in the banking and financial services sector and this has led some candidates to move from commerce to the financial services industry this year.

Skills Shortage

The shortage of skilled staff is a global issue, with companies across the world facing frustrating times as growth is held back by lack of available talent.

There are many reasons for this, often country-specific, and in Asia lack of training is understood to be a chief driving factor.

In Hong Kong this is particularly pertinent to accountants. Traditionally they would receive their training at one of the Big Four accountancy firms, then leave to move into commerce once they had received their qualifications. The understanding has always been that a Big Four training may better position accountants to achieve their long-term career goals.

However, during the downturn of 2001/2002, the Big Four cut down on expenditure by postponing their graduate training courses. This has led to a shortage of candidates who should now be qualified and entering the commercial market.

The skills shortage does not only apply to accountants. International companies are struggling to recruit suitable candidates in Hong Kong across all disciplines, partially blaming a local education system that does not promote individual thought and problem solving. The shortage of candidates with these skills becomes particularly apparent when attempting to recruit senior business people.

As the majority of employees in commerce have to be able to speak Chinese, opportunities for expatriates have diminished. Local talent, educated overseas, has become the most highly desirable commodity. The "right" education, combined with the ability to speak fluent English, Cantonese and sometimes Mandarin is invaluable. A candidate who can offer all this as well as good presentation and an ability to lead rather than follow, is likely to find themselves with plenty of offers on the table.

However, these highly sought-after candidates are not returning to Hong Kong in large enough numbers to make a real impact on the job market, and the commercial sector is generally not flexible enough in its recruitment policies to deal with this problem. Whereas other sectors might consider looking outside the traditional talent pool, we have observed that companies in commerce would rather endure a longer recruitment process (i.e. wait for the right candidate to come along) than consider approaching the problem laterally.



Market Overview

Salaries



Salaries have continued to rise this year, as demand for candidates outstrips supply. 10% increments have not been unusual and at junior levels this has been higher.

Although continuing rises in salary may be difficult to sustain for some businesses, they are unlikely to flatten out yet. Even if demand drops off because companies have now employed the staff they need to set up their bases in Hong Kong, or to expand their existing operations, supply is not improving quickly enough to keep salary levels under control.

Companies are starting to build a higher bonus component into their salary packages. This is usually performance related, rather than in the form of a guaranteed 13th month payment. So far, bonuses awarded in this way have been excellent and candidates are taking this into consideration when deciding whether or not to leave a company.

This year we have seen the search for salary rises starting to negatively impact some candidates. Job seekers know that they are entering a talent-driven market and some are changing jobs frequently to take advantage of salary increments.

However, companies are starting to show restraint in offering salary rises as an incentive to lure staff away and tolerance is diminishing for those candidates who have shown a tendency to "job hop".

As a result, some candidates are putting more thought into their career progression and considering forgoing short-term rises in salary in favour of demonstrating loyalty and good long-term career planning. We would like to see more widespread adoption of this mindset.

“ Salaries have continued to rise this year, as demand for candidates outstrips supply. ”

Turnover

Turnover is without doubt dollar driven, particularly among those in the early stages of their career. There will always be job seekers who place loyalty below remuneration in order of importance, who will have very little hesitation to jump ship.

However, most of the candidates we see are premium quality professionals who will execute their due diligence on a company before signing on the dotted line. They will make their decisions based on more than just salary and are unlikely to move on again in a hurry.

Companies generally know that money is not the only motivator for the majority of their staff. In most cases they have to do more than offer a salary rise to convince an employee to stay.

For this reason, businesses are striving for the all important "employer of choice" label, by attempting to create a company that everyone wants to work for and no one wants to leave. They focus on their company culture, looking at staff's work/life balance, their relationship with their boss, possibilities for training and development, and opportunities to work overseas.

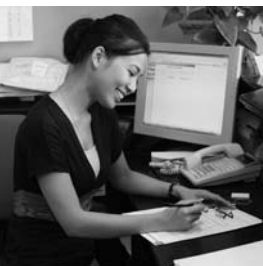
It is vital for firms to get this right, as it is expensive and difficult to replace valued staff. One quarter to a third of a year's salary is spent on recruitment costs, and there is also the cost of training to consider, as well as the losses incurred while a position is vacant.

The reality is that there is often nothing that a company can do to retain staff. Rival companies are likely to pay out any remunerative incentives on offer and will have corporate culture initiatives in place themselves. We are only seeing 5% to 10% of candidates succumbing to their companies' attempts to convince them to stay.



Commentary on Specific Markets

Accounting



Business for recruiters this year has been steady at the senior accounting level and very active at the junior and middle management levels, with general movement caused by people swapping jobs and new positions created as companies feel increasing confidence in the economy.

Indicative of this confidence is increased investment in "value added" roles, such as financial analysis, and we have seen renewed demand for these professionals this year, particularly at the junior end.

In middle management there has been continued demand for general accounting and finance management candidates, but less call for applicants in the specialised area of financial planning and analysis. We currently have a surplus of candidates in this area.

There is a shortage of accountants with experience in costing, particularly for those prepared to work within Southern China's manufacturing industry. Employers generally prefer accountants trained in Hong Kong, as Mainland Chinese candidates often lack the requisite professional qualifications. But in the past couple of years we have seen Hong Kong CPAs return from the Pearl River Delta. They are unwilling to work away from home when it has become clear that there is plenty of work for them in Hong Kong.

By far the greatest impact on recruitment of accountants in Hong Kong has been the changing dynamics in the Big Four accounting firms.

Traditionally, top graduates would train as accountants with the Big Four and then leave to work in the commercial sector, which was understood to pay better, have more reasonable working hours and offer more varied work.

Today, the situation is somewhat different. Business is booming for the Big Four, who have abundant work on the mainland and are desperate for middle and senior management level accountants to oversee this work. They cannot afford to lose their staff and have offered large salary increases to tempt them to stay.

To a great extent this move has been successful and there is now a shortage of accountants joining the commercial sector at junior and middle management levels.

Interestingly the commercial sector has not responded by trying to match the salaries of the Big Four. They have either resigned themselves to waiting longer for good candidates, or to employing more junior personnel and providing training themselves. Thinking creatively in recruitment is a necessary progression in the current market, and Hong Kong is slowly catching up with other regions in this respect.

One notable change in this sector is that we are beginning to see more women coming into the market place. Some employers are even showing a preference for employing women, as they are considered to be diligent, focussed on detail and a good long-term bet. Men still tend to hold the senior positions, however, where their strengths are understood to be strategising and interfacing with other senior executives.

Hong Kong Salaries 2008 Accounting & Finance Professionals, Commerce & Industry		
	Years of Experience	Annual Salary Range (HK\$)
Audit / Internal Control		
Director / Head of Audit	12 - 15	1.2M+
Senior Audit Manager	8 - 10	720K - 960K
Internal Audit Manager	5 - 8	580K - 720K
Internal Auditor	3 - 5	336K - 480K
Financial Accounting		
Group / Regional / Divisional CFO	15	1.2M+
Regional Financial Controller	10 - 12	1M - 1.2M
Financial Controller	8 - 10	720K - 1M
Finance / Accounting Manager	6 - 10	450K - 600K
Financial Accountant	4 - 5	300K - 384K
Accounts Payable / Accounts Receivable Accountant	Up to 8 years	240K - 336K
Management Accounting		
Manager - Management Accounting	8 - 10	550K - 720K
Senior Management Accountant	5 - 8	420K - 540K
Management Accountant	3 - 5	240K - 384K
Planning & Analysis		
Head of Planning & Analysis	10 - 12	840K - 1.1M
Financial Planning & Analysis Manager	8 - 10	600K - 780K
Senior Financial Analyst	6 - 8	420K - 540K
Financial Analyst	3 - 6	300K - 420K
Tax		
VP / Head of Tax	12+	900K - 1.2M+
Tax Manager	8 - 10	720K - 960K
Tax Accountant	3 - 7	300K - 550K
Treasury		
Head of Treasury	10 - 12	1M - 1.3M
Treasury Manager	8	600K - 840K
Treasury Accountant	4 - 8	300K - 540K

Notes to salary table:

- 1 The salary ranges given are only approximate guides. For tailored salary advice, please contact us directly.
- 2 12 month base salaries are assumed.
- 3 All other benefits and bonuses are in addition to these figures.
- 4 Bonus ranges will typically vary from a 13th month (now largely eradicated as a guaranteed component) up to 30 per cent. Some companies have an over-achievement provision which enables employees to significantly increase their bonus targets.
- 5 Holiday entitlements range from 12-20 days with senior executives not usually receiving less than 18.
- 6 Healthcare policies are standard at most levels.
- 7 Pension plans vary from standard MPF contributions - top up schemes can increase employer contribution levels to as much as 15-20 per cent of base salary for senior executives.

Commentary on Specific Markets

Internal Audit



As the business world continues to rebound from the shock of the Enron and WorldCom scandals, corporate governance has made its way into the core of corporate culture the world over and professionals with experience in this area are highly sought after.

Hong Kong is no exception, and demand continues to outstrip supply of internal auditors in commerce.

Candidates with knowledge of the Sarbanes Oxley Act are in particularly high demand with the large American multinational companies, but there are very few who have the kind of detailed experience that is required, particularly at the senior level.

There is also a grave shortage of auditors prepared to take on roles with a high degree of travel. Candidates have the luxury of choice today and are unlikely to accept a job that takes them away from Hong Kong for 70% of the year. Those who are prepared to travel are usually young, single and childfree and expect to be compensated financially for having to live out of a suitcase.

Considering the amount of work available for internal auditors in Mainland China, these candidates are likely to find themselves with plenty of offers.

BIG 4 Public Accounting Firms (Audit Only) Salary Chart, Hong Kong		
	Years of Experience	Annual Salary Range (HK\$)
Director		1.2M+
Senior Manager 3+		840K - 1.1M
Senior Manager 2		780K - 840K
Senior Manager 1		720K - 780K
3rd Year Manager		600K - 720K
2nd Year Manager		540K - 660K
1st Year Manager		480K - 540K
Senior Accountant	qualified +2 years	420K - 480K
Senior Accountant	qualified +1 year	336K - 384K
Accountant	newly qualified 3 years experience	264K - 336K

Notes to public accounting salary chart:

- 1 Different firms pay different rates and salaries can vary between industry groups.
- 2 12 month base salaries are assumed.
- 3 All other benefits and bonuses are not included in these figures.

Tax and Treasury

Although tax and treasury recruitment is a low volume area, typical of highly specialised fields, we have seen steady progress in this area in 2007.

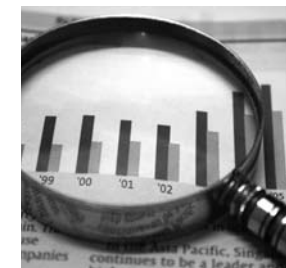
Tax professionals are always in demand, most notably at middle and senior levels, as corporate roles tend to be more strategic in nature and small in size - usually no more than two to three people.

As the pool of candidates with in-house experience is so small, many organisations are willing to consider individuals with pure Big Four experience. However, the Big Four accounting firms have been raising salaries across the board and this, combined with the shortage of tax professionals, has driven salaries up.

When positions do arise, the assignment processes tend to be drawn out, as our clients target both a Big Four background and in-house experience, particularly when talent is imported from overseas. International transfers can be popular, as these individuals have a sound grasp of the internal workings of the organisation and any lack of local knowledge can be outsourced to tax advisers.

Treasury departments for multinationals in the commercial sector also tend to be small in size and many organisations rely on their headquarters for such expertise. Those companies headquartered in Hong Kong clearly need to draw on the skills pool of the local market, which tends to be very shallow, and such roles usually insist upon prior treasury experience.

The incidence of treasury recruitment is relatively low when compared to other categories of accounting. However, any outstanding candidate in this field is extremely well positioned when a vacant role arises and can command a very competitive salary.



Prospects for 2008



Providing the US subprime credit crisis does not have a significant impact on Asia, we expect to see another busy recruitment market in Hong Kong next year.

International companies will keep on arriving in the city, particularly as Asia is likely to be one of the few growing markets in the world next year, and it is hard to see growth in the region slowing down dramatically in the immediate future.

However, we may start to see some consolidation in the commercial sector as companies take stock of their recent expansions and wait to see how the situation in the US unfolds.

Potentially, firms will start to exercise a little more caution when recruiting, as the mood of CFOs is less bullish in terms of percentage growth for next year. Headcount approvals may be harder to come by, more signatures may be required to sign off on less senior hires and a more protracted recruitment process might be adopted by some firms. This conservatism is most likely to manifest itself in the North American companies, whose domestic earnings may be impacted by the subprime issue spilling over into the real economy.

Despite this possible dip in recruitment levels, recruitment companies will still see a very healthy level of business. It is likely that the struggle for talent will continue and that turnover will be brisk. Salary rises may flatten out slightly, but bonuses are still expected to be high.

We hope to see companies continuing to adopt creative measures to combat the skills shortage in the region, to strive to be an "employer of choice" and to concentrate their efforts on streamlining their recruitment processes.

" We hope to see companies continuing to adopt creative measures to combat the skills shortage in the region."

About Ambition

Ambition is an Australian-listed recruitment firm specialising in a select number of disciplines, including accounting and finance, sales and marketing, information technology and human resources. Our coverage includes Hong Kong, China, Singapore and Australia.

Did you know?

- Our Hong Kong business has been in operation since 2001 and we employ around 40 people.
- We are not obsessed with being the biggest recruitment company but we are determined to be the best.
- We have carefully built a team who believe in our values: Passion, Respect, Integrity, Teamwork and Excellence.
- A significant proportion of our clients and candidates are introduced to us via personal recommendation.
- We believe it is our job to select a short-list and our client's job to select the candidate. To this end, we always focus on quality, not quantity.
- Our senior management team believes in being visible with clients and candidates.

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