

LEGAL
HONG KONG AND CHINA

SALARY SURVEY 07/08

Michael Page
INTERNATIONAL

WELCOME

Welcome to the Michael Page Legal Salary Survey for 2007/2008.

The survey provides employers and candidates with useful insights into employment conditions, business confidence levels and recruitment trends in Hong Kong and China.

Our commentary is based on both quantitative and qualitative research across our key industry groups:

- In-house Corporates
- Financial Services
- Private Practice

We wish to thank everyone who contributed to this year's survey and trust you find it helpful and informative. We welcome your feedback and encourage you to contact us for further information or specific market advice.

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INTRODUCTION

With continued economic growth and high levels of business confidence in Hong Kong and China, the employment prospects for legal professionals are strong. It is a job seeker's market and competition for candidates is intense across both private practice and in-house functions.

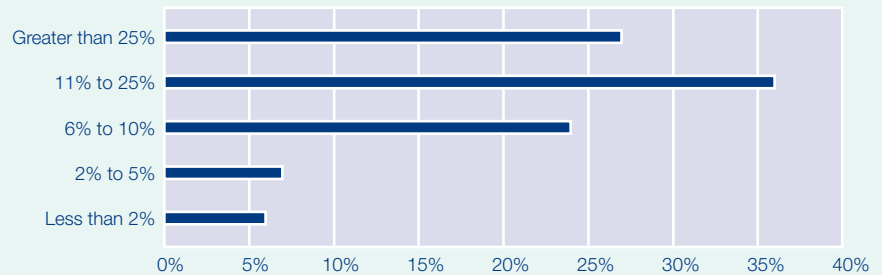
To combat the skills shortage, employers are becoming far more aggressive with their recruitment initiatives and are targeting candidates from other Asia Pacific countries, particularly Singapore, where salaries are generally lower. Employers are also recruiting lawyers from Australia and England offering lucrative salary packages and lower income tax rates in order to satisfy local demand.

Business expansion, new business listings and direct investment in China are all driving demand for legal professionals with expertise in mergers and acquisitions, corporate finance, banking and finance, commercial IT/IP and the China market. Candidates with fluency in Mandarin and English are most highly sought after.

The year ahead will be a bright one for legal professionals as the economy continues to boom and companies expand and invest in the local market. The legal sector remains buoyant and hiring expectations for the next 12 months are strong. To attract and retain talent, employers will have to offer higher salaries and non-monetary incentives such as better work/life balance, training and development, stock options, bonuses, family medical and dental.

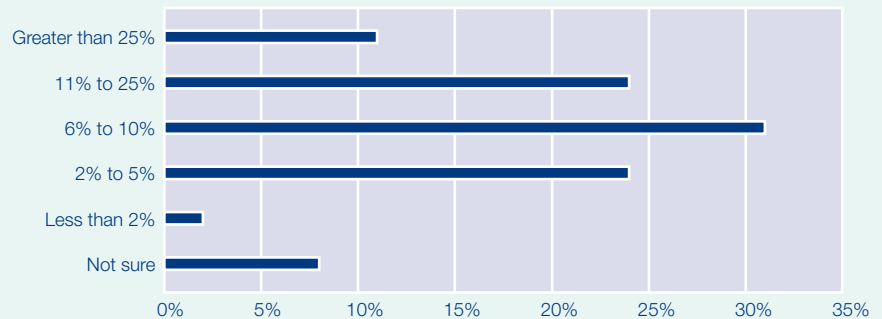
PERCENTAGE OF SALARY GIVEN FOR MOST RECENT BONUS

Three-quarters of respondents had a bonus component as part of their salary package. When asked about their last bonus payment, 27% reported a payment greater than 25% of their base salary.



WHAT PERCENTAGE INCREASE WOULD YOU EXPECT WITH YOUR NEXT SALARY REVIEW?

The majority of respondents were optimistic in terms of salary expectations, with almost one-quarter expecting a rise of between 11% and 25%.



NATIONAL EMPLOYMENT SURVEY

The National Employment Survey is conducted on an annual basis and measures employment conditions, business confidence levels and recruitment trends. The survey for 2007 was completed by 1454 employees and 503 employers from a variety of professional sectors in Hong Kong and China.

A selection of key findings is listed throughout this publication. The survey results, which form the quantitative component of the broader research project, are supplemented with qualitative insight derived from our extensive involvement with white collar employers and job seekers across Hong Kong and China.

KEY FINDINGS FROM THIS STUDY:

Employer Trends

- 98% of employers surveyed predicted their staff numbers would remain constant or increase in the next 12 months, an increase of 40% from our last survey.
- At 32% and 25% respectively, organic growth and new projects were listed as the main areas of focus for employers in the year ahead.
- Over the past 12 months, 65% of companies experienced difficulty in retaining staff.
- 84% of companies see staff retention as another important focus for the next 12 months.
- When asked which retention strategies employers would consider over the next year, career promotion, training and development and bonus schemes were the three most common responses.

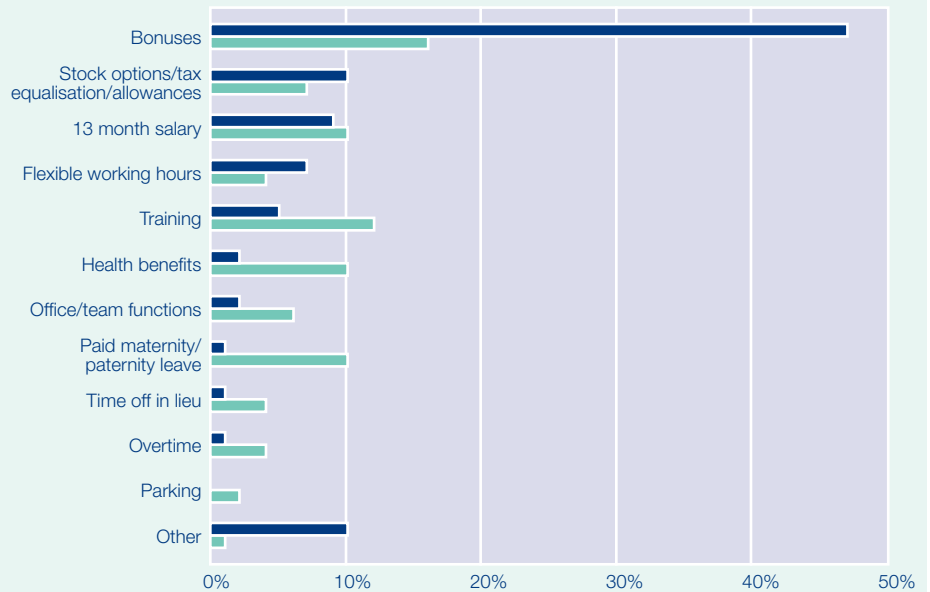
Employee Trends

- 47% of respondents cited career advancement as the primary motivator for their last job change. Only 7% nominated more money as the main reason.
- 76% of respondents rated their company's training and career development opportunities as average or below average.
- Half of the respondents surveyed have worked overseas and of those 76% would consider doing it again.
- When asked what their salary expectations were for the year ahead, one third of the respondents expected a salary increase greater than 11%.
- Close to half of the respondents surveyed expect a bonus of 11% to 25% of their salary, with one third of respondents seeking a minimum of 25%.

ACTUAL INCENTIVES VS PREFERRED INCENTIVES

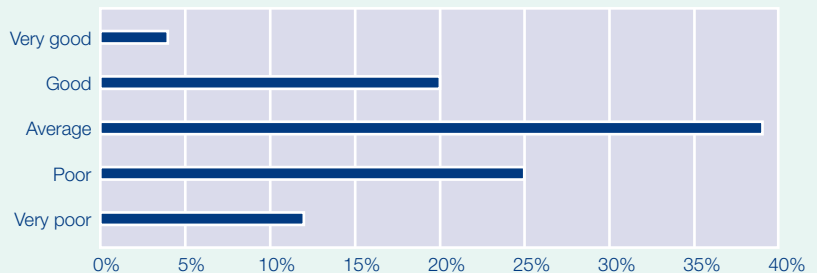
The survey showed there was disparity between the incentives employees wanted and those their employers were providing. Bonuses and stock options/tax allowances were the most preferred incentives by employees.

■ Preferred incentive
■ Actual incentive



HOW WOULD YOU RATE YOUR COMPANY'S TRAINING AND CAREER DEVELOPMENT OPPORTUNITIES?

76% of respondents rated their company's training and career development opportunities as average or below average.



IN-HOUSE CORPORATES

MARKET REVIEW

The in-house legal market is booming as local and international companies expand to take advantage of Asia's buoyant economy and move their legal capabilities in-house to accommodate new projects and initiatives. As a result of positive economic and business conditions, many companies are committing to long-term growth plans which require specialist legal advice. There are also significant cost efficiencies associated with having an in-house legal capacity as opposed to outsourcing the legal function.

The critical shortage of in-house lawyers across Hong Kong and China is putting upward pressure on salaries. A major challenge for employers is meeting heightened employee expectations and matching competitor offers, particularly those of the large law firms who are prepared to pay more to secure top talent. There is also pressure on employers to offer incentives such as stock options, guaranteed bonuses and paid medical and dental services to attract and retain candidates.

Talented legal professionals have a wealth of choice in the current market. They can afford to be more selective and wait for the right opportunity before they move. At the same time, there is a lot of competition for the top roles so candidates need to ensure their expectations are realistic.

Rapid business growth and expansion are driving demand for in-house legal professionals with expertise in mergers and acquisitions, foreign direct investment, compliance and joint ventures. Fluency in Mandarin and regional experience, particularly in the China market, are highly sought after.

EMPLOYMENT FORECAST

We expect the employment market for in-house lawyers to remain strong over the next 12 months as more companies choose to appoint legal professionals to bolster their internal capabilities. Employers will need to increase financial and other incentives in order to attract talent ahead of their competitors.

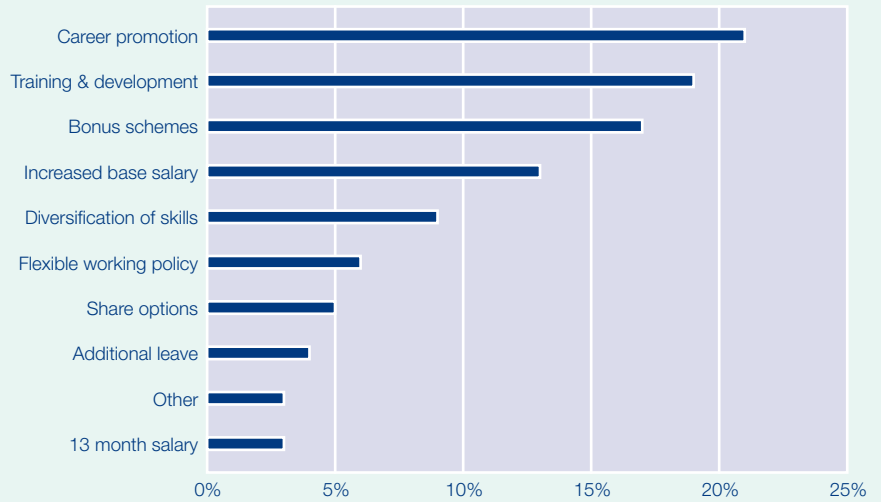
Given the tight labour market and intense competition for candidates, our prediction is for a 8% to 15% salary increase across the board over the next 12 months, with an increase of up to 25% for candidates with hard to find skill sets.

TOP FIVE ROLES IN DEMAND

- Mergers & Acquisitions Lawyer
- Generalist Lawyer
- China Practice Lawyer
- Mid-level Company Secretary
- Commercial IP/IT Lawyer and/or Brand Enforcement Lawyer

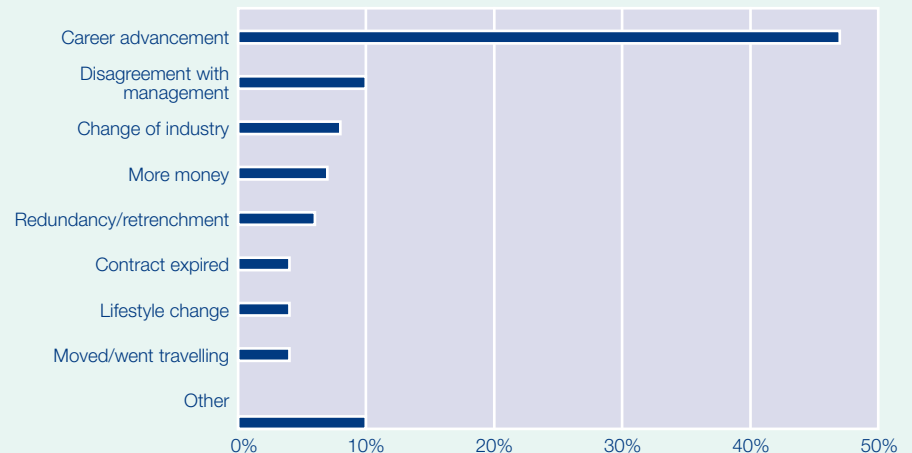
WHICH RETENTION STRATEGIES DO YOU THINK YOUR COMPANY WILL CONSIDER OVER THE NEXT 12 MONTHS?

84% of companies see staff retention as an important focus for the year ahead. When asked which retention strategies they would consider over the next 12 months, career promotion and training & development were the most common responses.



WHAT WAS THE MAIN REASON FOR YOUR LAST JOB CHANGE?

Almost half of respondents cited career advancement as the primary motivation for their last job change.



FINANCIAL SERVICES

MARKET REVIEW

The financial services sector continues to perform strongly as a result of the buoyant Asian economy. Financial institutions are investing heavily in China to capitalise on rapid market growth and legal professionals are being hired to facilitate mergers and acquisitions as well as business expansion.

As law firms and other companies with in-house legal functions are also looking to expand their teams, employers in the financial services industry face intense competition in attracting and retaining legal professionals. Employers need to focus on ensuring salaries are competitive and providing a positive work environment, which are both key factors for candidates considering a move. Some companies are also relaxing their recruitment criteria in terms of industry background in order to increase their talent pool.

Business expansion in China across all industries is driving demand upwards for corporate lawyers, particularly those with experience in the China market. Lawyers with specialist expertise in banking and finance, private equity, commercial IP/IT and capital markets/structured products are also highly sought after.

EMPLOYMENT FORECAST

Our prediction is that the skills shortage will continue over the next 12 months and this will see salaries continue to increase. To compete with corporates and law firms in attracting and retaining talent, financial institutions will need to ensure that a work/life balance is achievable. Other attractive incentives may include sign-on and guaranteed bonuses.

We anticipate salaries to increase by 5% to 12% across the board over the next 12 months, as financial institutions continue to increase headcount and require legal professionals to support business growth.

TOP FIVE ROLES IN DEMAND

- Head of Legal/General Counsel
- Lawyer (mid to senior level)
- Funds/Asset Management Lawyer
- Junior Lawyer
- Paralegal

PRIVATE PRACTICE

MARKET REVIEW

There is a shortage of private practice lawyers as positive economic conditions and increased business activity are driving organisations to increase their internal legal capabilities, creating intense competition for talent. Increasing numbers of lawyers are moving to in-house roles for a better lifestyle and working environment. At the same time, there has been an increase in recruitment activity by local and international law firms who are competing for the same talent.

The skills shortage means that staff turnover is high and firms are constantly seeking new means of recruiting and retaining staff. While rapid business growth in China is driving demand upwards for specialist legal advice, law firms are remaining cautious in expanding their teams too quickly as this may be unsustainable if the market conditions change. Within the local market, some employers are resorting to external and internal secondments to cover the skills gap in the short-term.

The candidate shortage is putting upward pressure on salaries so firms need to ensure they can offer or exceed the market rate to secure top talent. In terms of retention, firms need to focus on work/life balance providing incentives such as working from home and generous leave allowances to avoid burn-out.

Given the shortage of professional lawyers in Hong Kong, candidates are in a strong bargaining position. Lawyers with corporate finance, IPO and mergers and acquisitions experience are in high demand as more businesses are listing to capitalise on the booming Chinese economy. Those with derivatives, corporate finance, private equity and commercial IP/IT skills are also highly sought after. Recruitment activity has remained steady in other legal areas such as real estate, commercial and litigation.

EMPLOYMENT FORECAST

Our forecast is that employment growth will continue for the year ahead. The key challenge for private practice will be retaining talent as the competition for legal professionals intensifies, particularly in relation to in-house roles which are perceived to provide a better work-life balance. Employers will need to be creative with their recruitment and retention strategies to stay ahead of their competitors.

Salary increases of around 7% to 11% can be expected, particularly in top tier firms. Candidates with hard to find skills sets are likely to command increases of 20% or more.

TOP FIVE ROLES IN DEMAND

- Banking & Finance Lawyer (all levels)
- Funds Lawyer (junior to mid level)
- Corporate Finance Lawyer (all levels)
- Paralegal
- Company Secretary

HONG KONG LEGAL SALARY TABLE

Experience	Salary HK\$'000
PRIVATE PRACTICE	
Newly Qualified	624–840
1 year PQE	672–900
2 years PQE	756–1 million
3 years PQE	816–1.1 million+
4 years PQE	900–1.2 million+
5 years PQE	996–1.4 million+
6 years PQE	1–1.48 million+
7 years PQE	1–1.5 million+
8 years PQE	1.2–1.6 million+
IN-HOUSE CORPORATES	
Newly Qualified	540–720
1 year PQE	660–780
2 years PQE	720–864
3 years PQE	756–936
4 years PQE	780–960
5 years PQE	876–1 million+
6 years PQE	900–1million+
7 years PQE	936–1.2 million+
8 years PQE	1–1.6 million+
US PRIVATE PRACTICE	
Newly Qualified	852–1.2 million
1 year PQE	936–1.25 million
2 years PQE	1-1.3 million
3 years PQE	1.2-1.4 million
4 years PQE	1.3-1.6 million
5 years PQE	1.4-1.8 million
6 years PQE	1.6-1.9 million
7 years PQE	1.6-2 million+
8 years PQE	1.7-2.1 million+
PARALEGALS	
1 year	180–288
2 years	240–336
3 years	336–420
4 years	390–504
5 years	504–816

Notes:

1. The above table is based on basic salary, excluding bonus/incentive schemes.
2. 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.
3. The above table includes salary data collected from a number of leading and international law firms, multinational corporations and listed companies. It excludes data from the financial services industry.
4. The level of experience for Paralegals is listed as total years experience rather than PQE.

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