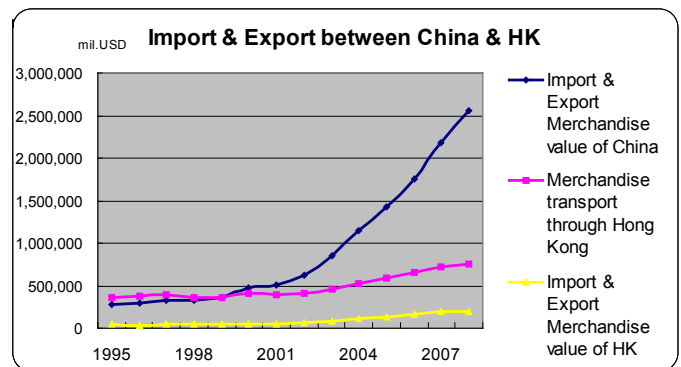
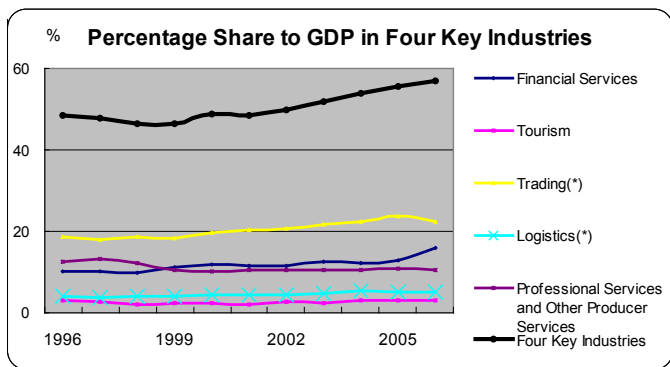


Business Study: Logistics in Hong Kong

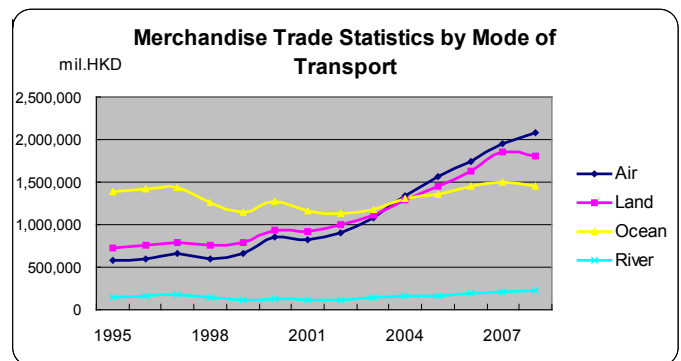
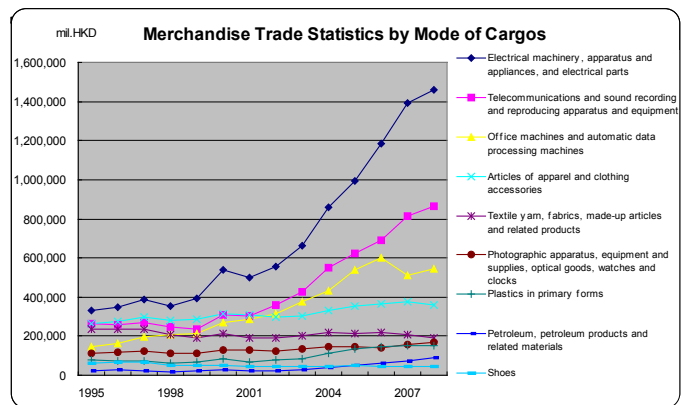
(2) Stature of Logistics in Hong Kong

Executive Summary

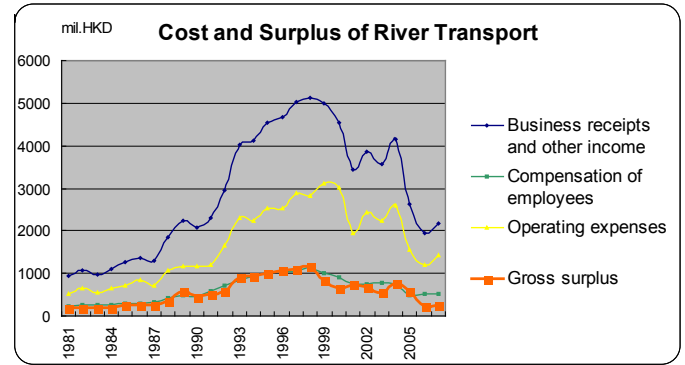
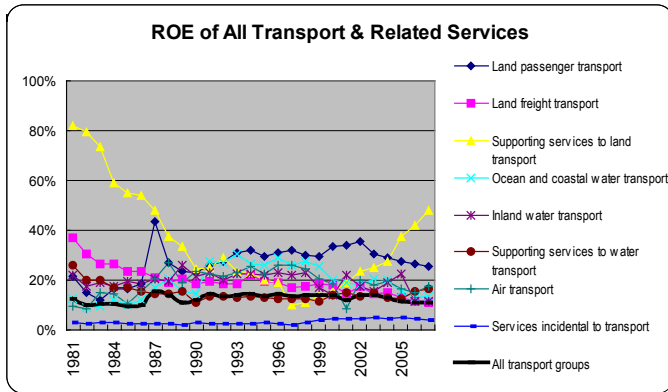
(1) Leading Industry



(2.1) Profile

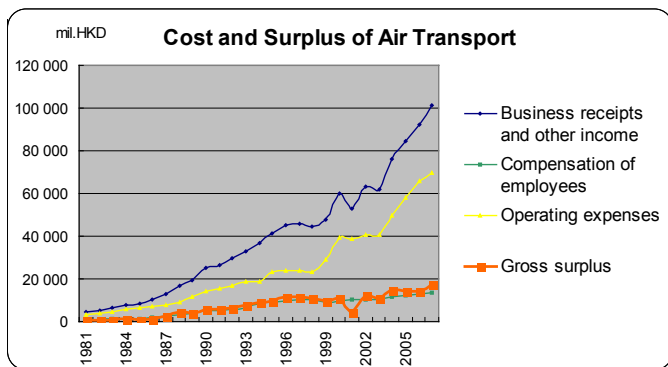


(2.2) Profit

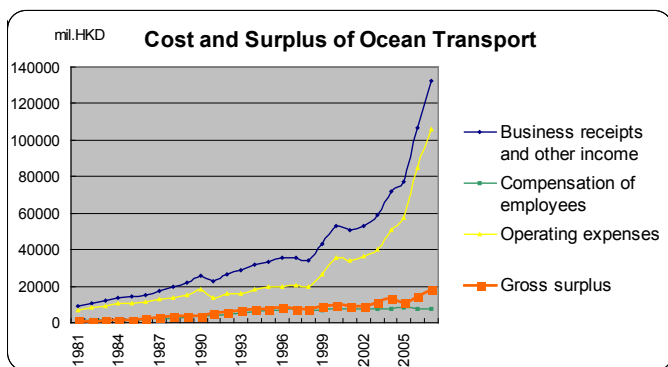
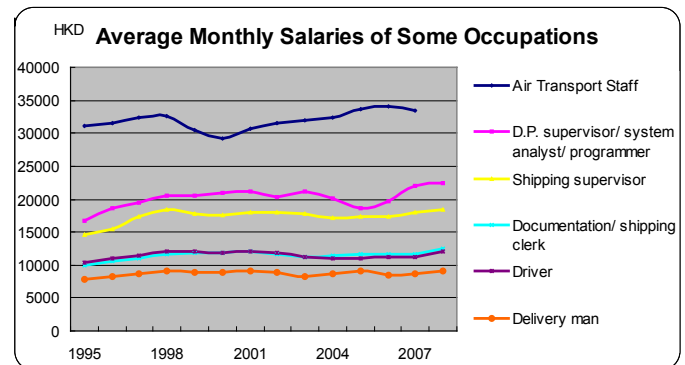
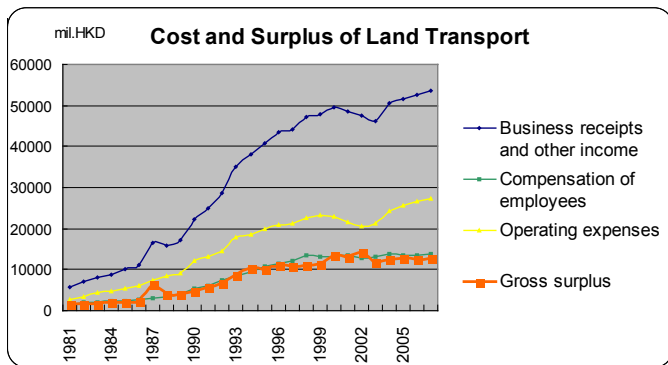


(3) Human Resources Services

(3.1) Compensations & Benefits



| Percentage Share of Educational Attainment | | | |
|--|---------|---------|------|
| | 1996 | 2001 | 2006 |
| No schooling / Pre-primary | 9.5 | 8.4 | 7.1 |
| Primary | 22.6 | 20.5 | 18.3 |
| Lower Secondary | 18.9 | 18.9 | 19.0 |
| Upper Secondary | 27.7 | 26.3 | 26.7 |
| Sixth Form | 6.1 (1) | 9.4 (1) | 5.9 |
| Post-secondary : Diploma / Certificate | 4.8(2) | 3.7(2) | 3.6 |
| Post-secondary : Sub-degree course | | | 4.0 |
| Post-secondary : Degree course | 10.4 | 12.7 | 15.4 |



(3.2) Training and Organization

- * The Hong Kong Logistics Association
- * Professional diploma program in logistics and shipping operations
- * Diploma in supervisory operations for distribution & retail logistics professional diploma program in logistics
- * Supply chain management

(4) Future Outlook

- * Hong Kong is much less important in Chinese import and export
- * The profit margin of supporting services to land transport is getting higher and higher.

Original Content

Introduction

Hong Kong government takes financial services, tourism, trading & logistics and professional services & other producer services as its key industries. It is the study focus on logistics industry.

Logistics, a work defined by HKLA (The Hong Kong Logistics Association), includes warehousing, freight transportation, inventory management, packaging, order processing, customer service and material handling management.

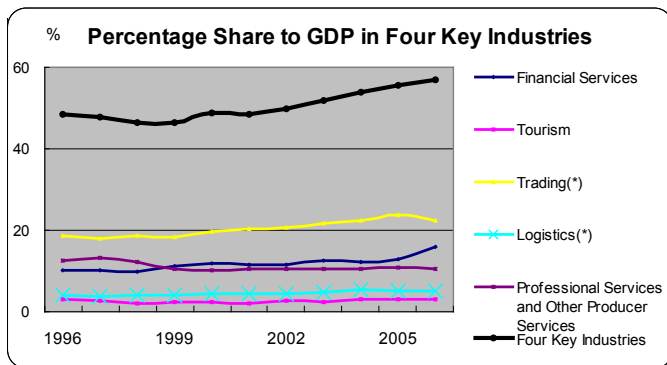
Methodology

This report will study the logistics industry with many indicators. After reading this report, readers will have a clearer mind on the situation about this industry.

(1) Leading Industry

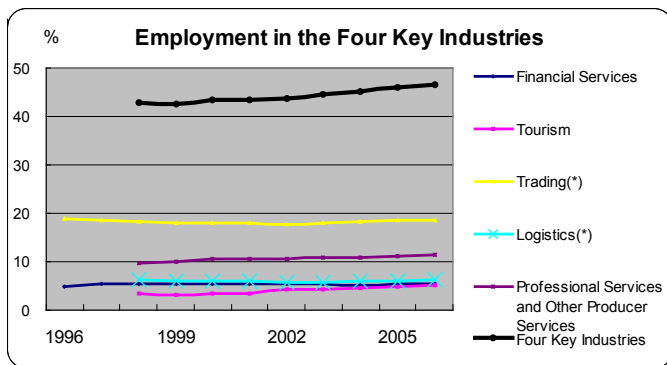
As the Retail & Wholesale report has mentioned, financial services, tourism, trading & logistics and professional services & other producer services are the four key industries in Hong Kong. Also, these four key industries contain about 50% labour power in Hong Kong market. Exhibit 1 and 2 are the pictures of this.

Exhibit 1



Source: Hong Kong Annual Digest of Statistics 2008

Exhibit 2

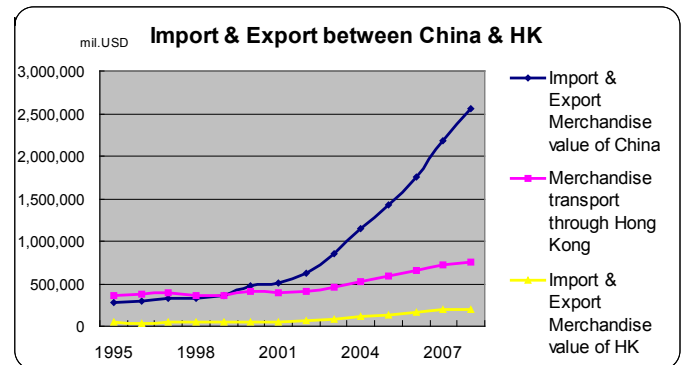


Source: Hong Kong Annual Digest of Statistics 2008

(2) Stature of Logistics in Hong Kong

Every year, there are billion tonnes cargos import and transport through Hong Kong's ports. Although Hong Kong produces most of these cargos, more larger numbers of them are made by Mainland China. It is because in years before 1980, Hong Kong was the only gate between China and the world, so all the cargos are transported through Hong Kong in years before 2000. Exhibit 3 shows the relationship in import and export between China and Hong Kong.

Exhibit 3



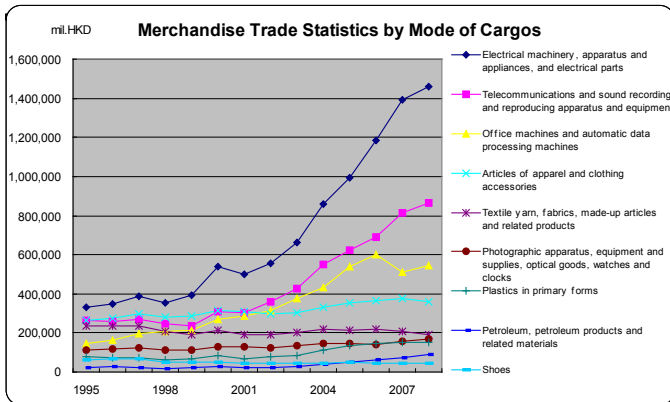
Source: Hong Kong Annual Digest of Statistics 2008

From Exhibit 3, one can see that the transport throughput of Hong Kong was equated to or even larger than the import and export value of China before year 1999. But now, the ratio between Hong Kong and China is getting smaller and smaller.

(2.1) Profile

According to the statistics of Hong Kong government, the top nine merchandises transport through Hong Kong are machinery, appliances and commodities. Exhibit 4 is the picture of it.

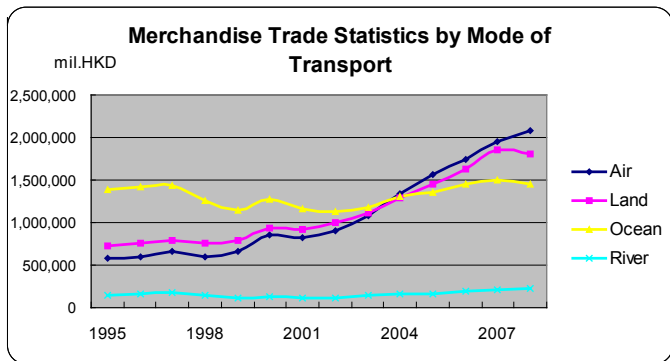
Exhibit 4



Source: Hong Kong Annual Digest of Statistics 2008

On the other hand, the merchandises can be divided by transport modes into air, ocean, land and river. Exhibit 5 is the mode by transport.

Exhibit 5



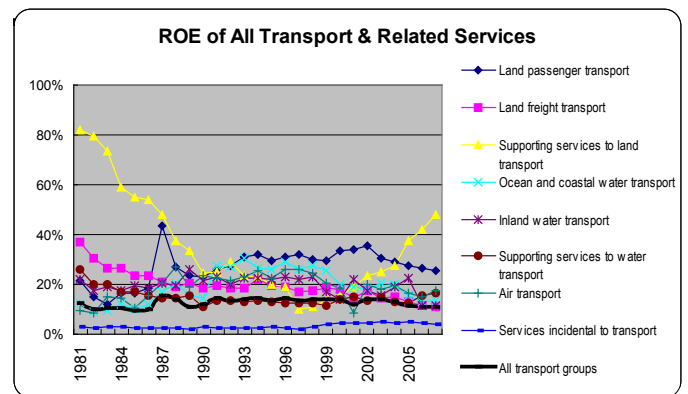
Source: Hong Kong Annual Digest of Statistics 2008

From Exhibit 4 & 5, one can know that the most transported merchandise is electrical machinery, apparatus and appliances, and electrical parts. The most popular transport modes are air and land transport.

(2.2) Profit

The average profit margin for all transport groups is between 10% and 15%. Since at the beginning, the land transport was the most popular transport way for the users, it divided into three modes as passenger transport, freight transport and supporting services. And the profit margin of supporting services to land transport was even high to 80% in 1981.

Exhibit 6

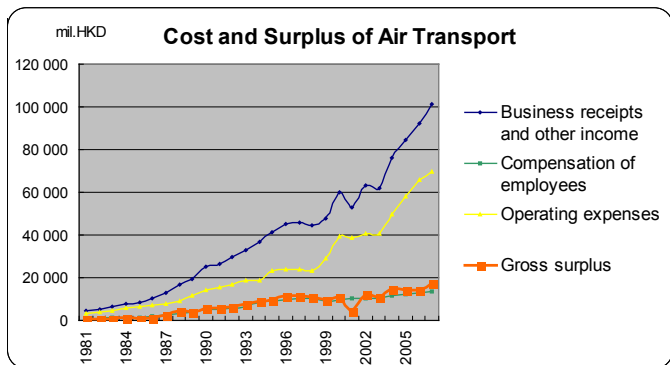


Source: Hong Kong Annual Digest of Statistics 2008

Note: ROE here means return on earning.

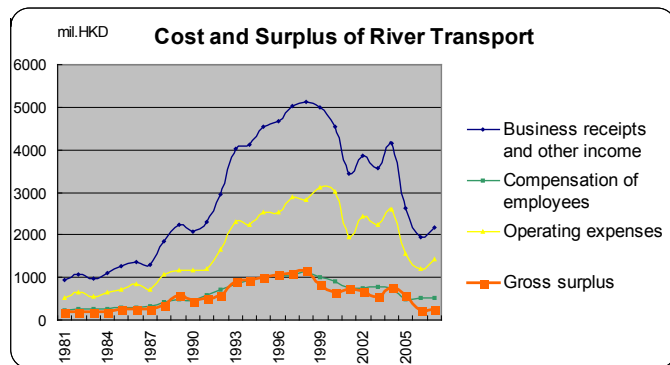
Besides Exhibit 6, exhibit 7, 8, 9 & 10 are showing the cost and surplus of air, land, ocean and river transports.

Exhibit 7



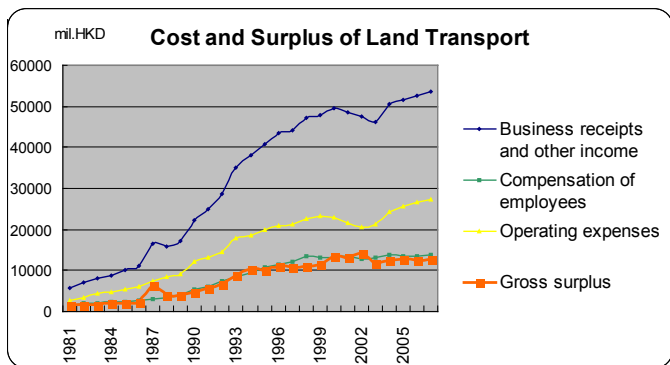
Source: Hong Kong Annual Digest of Statistics 2008

Exhibit 10



Source: Hong Kong Annual Digest of Statistics 2008

Exhibit 8



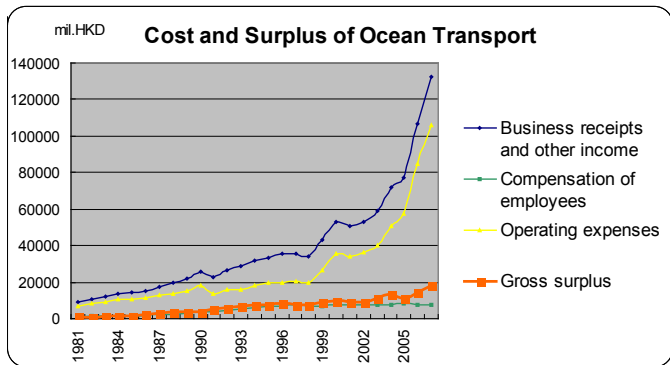
Source: Hong Kong Annual Digest of Statistics 2008

From the above pictures, readers can know that ocean transport gains the largest receipts and gross surplus, and then, followed by air transport. At the same time, the river transport was reducing.

(3) Human Resources Services

The employees of logistics can be divided into air pilot to deliveryman by the education level, so the requirements for recruitment are very different, so did the salaries.

Exhibit 9



Source: Hong Kong Annual Digest of Statistics 2008

(3.1) Compensations & Benefits

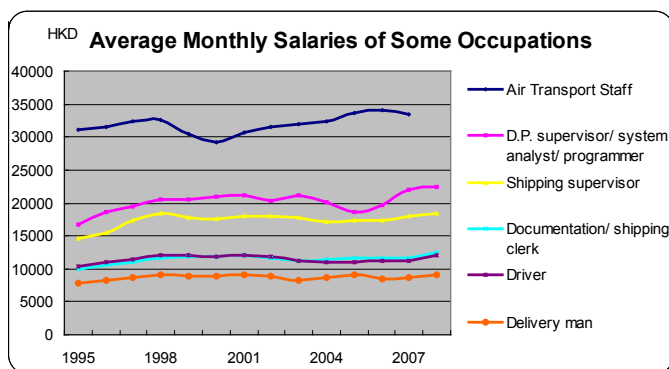
Table 1 and Exhibit 11 are showing the educational attainment of Hong Kong labour resources and the average monthly salaries of some relative occupations.

Table 1

| Percentage Share of Educational Attainment | | | |
|--|---------|---------|------|
| | 1996 | 2001 | 2006 |
| No schooling / Pre-primary | 9.5 | 8.4 | 7.1 |
| Primary | 22.6 | 20.5 | 18.3 |
| Lower Secondary | 18.9 | 18.9 | 19.0 |
| Upper Secondary | 27.7 | 26.3 | 26.7 |
| Sixth Form | 6.1 (1) | 9.4 (1) | 5.9 |
| Post-secondary : Diploma / Certificate | 4.8(2) | 3.7(2) | 3.6 |
| Post-secondary : Sub-degree course | | | 4.0 |
| Post-secondary : Degree course | 10.4 | 12.7 | 15.4 |

Source: Hong Kong Annual Digest of Statistics 2008

Exhibit 11



Source: Hong Kong Annual Digest of Statistics 2008

(3.2) Training and Organization

The Hong Kong Logistics Association (HKLA) is the authorized association who is serving for and providing helps to merchants in and out of logistics industry.

The courses and trainings provided by HKLA are such as professional diploma program in logistics and shipping operations, diploma in supervisory operations for distribution & retail logistics professional diploma program in logistics and supply chain management and so on.

(4) Future Outlook

Although the value of merchandise transport through Hong Kong is rising, the ratio of it to import and export of China is getting fall. It seems that Hong Kong is much less important in Chinese import and export.

Land transport is the very import transport way in Hong Kong transportation. But the business receipts and profit margin is getting lower and lower. On the contrary, the profit margin of supporting services to land transport is getting higher and higher.

Conclusion

Logistics in Hong Kong is a very import industry. It creates large value and contains about 6% employees of Hong Kong. But for a long time, it was quite relied on the import and export of China. But it couldn't follow the growth step of China.

Air and land modes transport most of the merchandise value in Hong Kong's logistics system. Besides, air and ocean modes get most of business receipts and profit margin from all modes. Among them, the most profit margin gainer is supporting services to land transport.

– End of Report –

BY : Jade Xuan

Analyst

January 2009

Jade Xuan**Disclaimer**
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