

For Immediate Release

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Employment expectations are at five year highs in Hong Kong, Japan and Singapore but there has been a steady fall in expectations in China

Japan has the highest employment expectations in the region

HONG KONG – 18 JULY 2006 – Expectations for permanent employment for the third quarter of 2006 remain high in all four markets. Expectations in Hong Kong, Japan and Singapore are at a five year high. China has witnessed a drop in expectations to hire from 64% to 62%, continuing a trend where expectations have been falling since their peak in Quarter Four (Q4), 2005. Expectations to hire at 62% are still rising in Hong Kong and are now at the highest level since Quarter 4, 2000. In Japan, expectations are at the highest level ever recorded by the Hudson Report, with 63% planning to grow headcount. In Singapore expectations continue their upward trend, with 56% forecasting increased hiring.

Hudson, one of the world's leading professional staffing, outsourcing and talent management solution providers and a division of Hudson Highland Group, Inc. (NASDAQ: HHGP), today released findings of its comprehensive quarterly Hudson Report for Asia. With a reputation as a key socio-economic indicator in the current marketplace since its Asia launch in 1995, the survey has been built on the premise that employers' expectations of an increase or decrease in staffing levels represent a significant indication of their optimism in the growth of their organisation and their industry as a whole. The Hudson Report represents the expectations of over 2,300 key employment decision makers from multinational organisations of all sizes in all major industry sectors. The four locations surveyed were China, Hong Kong, Singapore and Japan.

The latest employment trends

Employment prospects are still buoyant in China, where 62% of companies plan to increase hiring in Q3, a drop from 64% the previous quarter. Healthcare companies report both the highest expectations and the greatest increase, with 87% planning to grow headcount compared with 74% in Q2. Expectations are also growing fast in Banking, where 72% of executives forecast increased hiring.

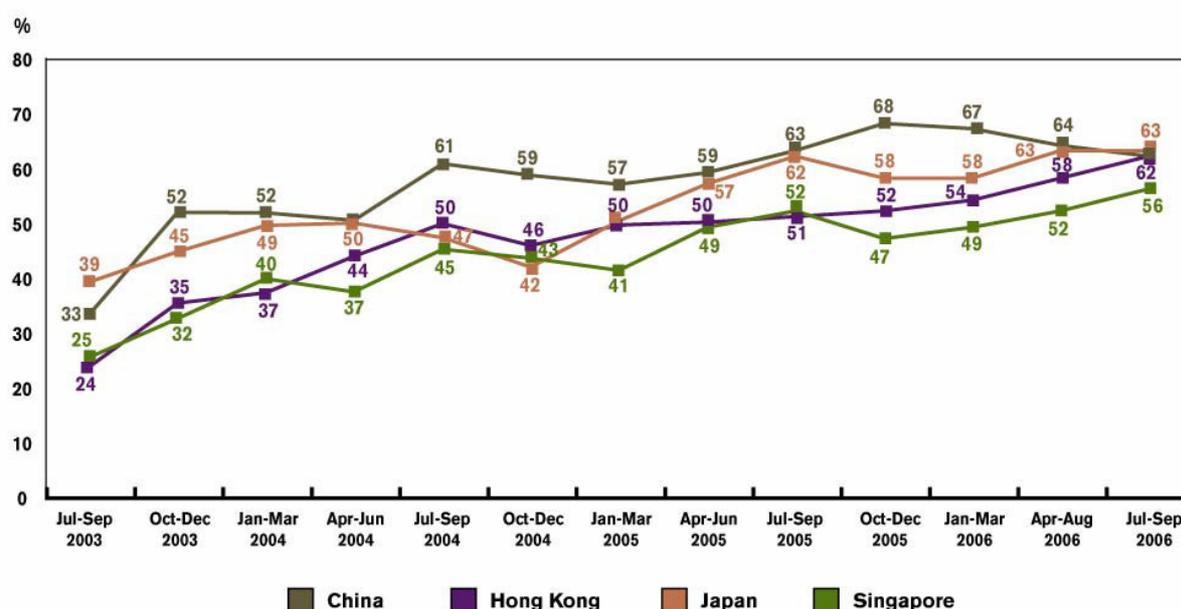
Expectations also continue to rise in Hong Kong, where 62% of respondents are planning to hire more staff in Q3 an increase from 58% the previous quarter. This is the highest level recorded since Q4, 2000. The Banking and Legal sectors are the most optimistic, with 68% planning to increase hiring. Employment expectations remain high in Manufacturing as companies expand their operations in China, and 59% say they will recruit more staff.

In Japan, for a second quarter, employment expectations are at the highest level ever recorded by the Hudson Report in Japan and are the highest in all the markets surveyed. Overall, 63% of respondents plan to increase headcount this quarter, with Banks having the highest expectations with 75% forecasting increased headcount.

In Singapore, employment expectations are still going up and 56% of respondents in all sectors forecast increased hiring, compared with 52% in Q2. Expectations are now higher than at any time since Q1, 2001. Banks report the highest expectations, with 66% forecasting increased headcount.

“Expectations for permanent employment are still high in all the markets surveyed and companies in all sectors are optimistic about the next six months. But employers are facing a war for talent as candidates want higher salaries, are receiving multiple offers and are subsequently declining job offers.” said Gary Lazzarotto, CEO, Asia, Hudson.

Permanent hiring expectations over time in Asia



Source: The Hudson Report – Asia, Q3 2006

Consistent upward trend in salaries

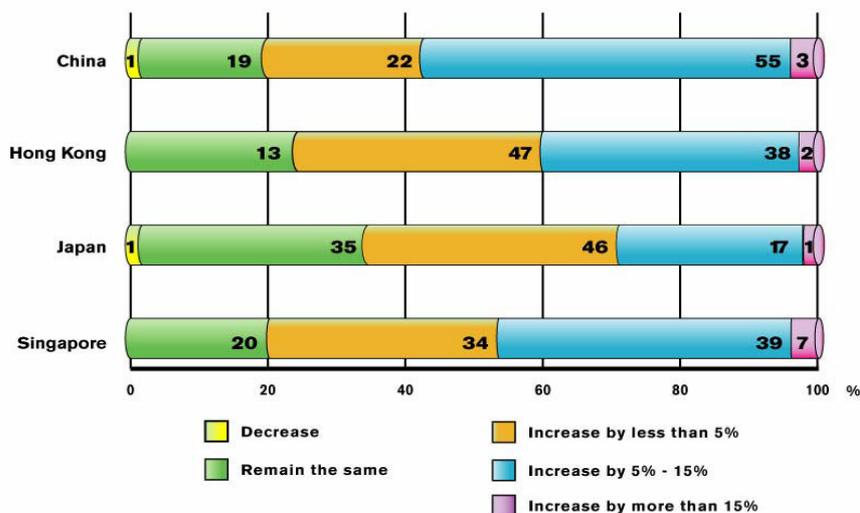
Across all the markets surveyed respondents report an upward trend in base salaries in the next year. However, there are wide differences between the markets surveyed, with China having the highest forecasts, with 58% of respondents expecting to pay increases of 5% or more and Japan with the lowest forecasts, with 18% forecasting rises of 5% or more, while 36% say there will be no increase at all.

In China the Healthcare and Media/PR/Advertising sectors anticipate the largest salary rises, with 74% and 71% respectively saying they will pay 5% or more.

Rises of 5% or more are forecast by 40% of respondents in Hong Kong. This appears low in the context of the tight job market, with employment expectations at a five year high.

In Japan the Healthcare and Media/PR/Advertising sectors have the highest salary forecasts, with 26% and 24% respectively predicting rises of 5% plus.

Anticipated salaries for the next 12 months



Source: The Hudson Report – Asia, Q3 2006

Outlook remains very positive

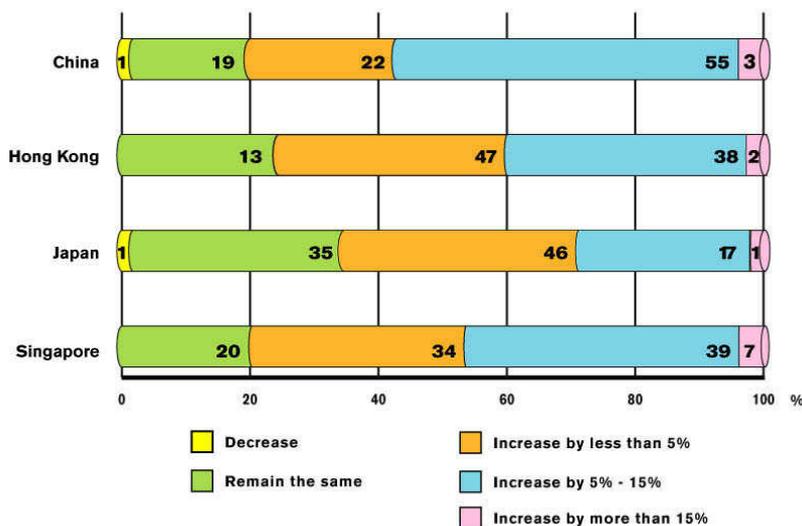
Respondents across all sectors express a high level of confidence about their company's performance in the second half of 2006.

In China 78% of respondents expect that performance will be excellent or good. Banking has the most positive outlook, with 87% forecasting excellent or good performance.

Hong Kong reports the highest level of confidence of all the markets surveyed. Across all sectors 23% say that performance will be excellent in the next six months, while a further 69% think it will be good.

In Japan 81% of respondents expect that performance will be excellent or good. This is a significantly higher proportion than when this question was last asked in Q1, 2006.

Anticipated salaries for the next 12 months

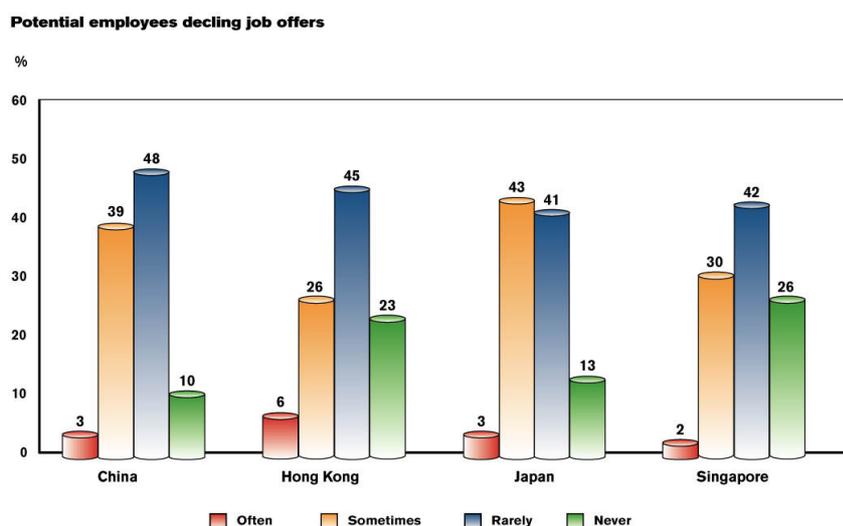


Source: The Hudson Report – Asia, Q3 2006

Many candidates are declining job offers

The ongoing demand for talented staff means that many candidates are in a position to decline job offers. This issue is particularly acute in China, where 42% of respondents report that they often or sometimes receive refusals.

In Hong Kong and Singapore, 32% of executives have received refusals from potential employees. The highest level of refusals is in Japan, where 46% of respondents have often or sometime received declines during the last six months.



Source: The Hudson Report – Asia, Q3 2006

Candidates are declining jobs and are receiving multiple offers

Across all the markets surveyed, respondents who report that candidates are declining their job offers cite offers from other companies and counter-offers from current employers as the main reasons. Higher salary expectations are also a major cause of refusals.

In China alternative offers are the largest single cause of refusals, at 48% followed by higher salary expectations at 41%.

Hong Kong's buoyant employment market means that many candidates receive multiple offers. Overall, 69% of respondents say that other offers are the main cause of declines.

In Singapore the main causes of declines are other offers, higher salary expectations and counter-offers, at 53%, 51% and 43% respectively.

Reasons for declining job offers

Industries	Higher salary expectations	More and better benefits wanted	Takes up a job offer with another company	Counter-offer by the present employer	Working conditions e.g. location; working hours	Company reputation	Others
China	41%	19%	48%	31%	14%	13%	4%
Hong Kong	34%	16%	69%	50%	11%	8%	5%
Japan	23%	22%	65%	24%	19%	17%	3%
Singapore	51%	14%	53%	43%	13%	12%	9%

Source: The Hudson Report – Asia, Q3 2006

Strong trend towards incentivising staff

There is now a growing trend for companies to extend incentives based on revenues and profits to all staff, including support and back-office.

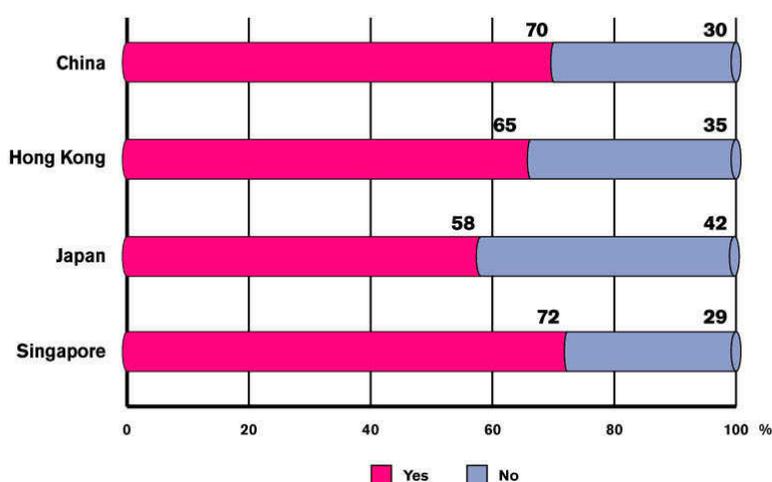
This trend is marked in China, where it is recognised by 70% of respondents where Healthcare and IT&T companies are leading the move in this direction.

In Hong Kong 65% of respondents perceive a trend towards incentivising all staff. The highest level is in the Banking sector, at 75%.

Japan has the lowest proportion of respondents with 58% seeing a move towards incentives for all staff.

In Singapore the trend towards incentive payments is increasing with 72% of respondents saying they recognise it.

Incentivising staff based on revenue and profit



Source: The Hudson Report – Asia, Q3 2006

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