

Welcome to JLJ's e-newsletter - **China Focus**. Here, we hope to share with you the latest regulatory updates and useful information relevant to China's business environment. This e-newsletter is brought to you, our valued network, as part of JLJ's value-added service.

Market Insights

Conducting Market Research in China



Foreign companies approaching the China market, regardless of the industrial sector they belong to, depend on reliable *market information* to plan sound entry strategies - this is often done by undertaking market research projects.

Typical topics of interest include competitive intelligence, supplier mapping, regulatory environment, market sizing and trends, key market dynamics, partner search, etc.

However, conducting market research in China is significantly more challenging than it is in other developed countries, mostly for three reasons:

- **size and diversity of the country** - China is effectively a continent rather than a country
- **lack of centralized or reliable sources of information** - often, relevant numbers from different sources just don't match!
- **speed of change** - change is the only constant and the whole China economic system is far from equilibrium

Combination of multiple information sources and various research techniques is therefore critical to obtain reliable data and derive sensible conclusions. Very often, foreign companies would realize that this challenge is better left to specialized consulting and research companies - which possess the needed China experience and technical expertise.

When selecting a competent research partner, foreign companies should take into consideration the company's overall project experience, client track record, industry knowledge, technical expertise, overall quality of the team, resources available and access to industry network. Direct presence in China is a must and client references should be sought.

For more information about market research on specific topics, please visit our [market consulting website](#) or email to katja.friedrich@jljgroup.com.

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China Increases Individual Income Tax Threshold



From Mar 1st 2008, China's individual income tax threshold will be increased to RMB 2,000 (from RMB 1,600) for local employees. For foreign employees, the tax threshold will remain the same at RMB4,800. Amid rising prices of consumer goods, the move aims to ease the tax burden of a larger number of low and medium wage earners.

The taxable income is computed as such:

Taxable Income = Monthly Salary - Tax threshold - Social Insurance*

** applicable only for local employees*

China's tax threshold was last raised from RMB 800 to RMB 1,600 in Oct 2005 and as inflation persists in China, further increase can be expected over the future years.

For more information on tax computation, please contact salina.leong@jljgroup.com.

Human Resource

Job offer turned down. What next?

Just as you thought you have found the ideal candidate for your company, he/she turns down your job offer. Sounds familiar? Instead of lamenting over your loss, check out the following advice and tips that may help you win your candidate over.

Analyse: Always seek to understand the underlying reason for the offer rejection. Very often, addressing these concerns appropriately will convince your candidate to reconsider the offer.

Adjust: Unattractive remuneration package is probably the most quoted reason for offer rejection. Benchmarking with market standards is therefore key to ensure your offer is fair and competitive. Other concerns that may easily be addressed with some internal adjustments include start date, work title or work environment such as flexibility in work hours, alternative work locations, etc.

Communicate: Wrong perceptions of job responsibilities, career prospects, management leadership, company's stability or reputation, etc - can also cause a candidate to turn down an offer. Be sure to sit your candidate down and clarify any such misconceptions.

More often than not, hiring managers find it more effective to engage the assistance of professional headhunters. With rich experience and as third-parties, professional headhunters are better positioned to probe for more information before and after the interviews, provide advice on possible counter measures or help both parties find the middle ground.

For more information, please email to rosewu@huijiechina.com.



China's Economic Outlook for 2008

Much has been said about China's strong economic growth in the past decade. So what can we expect in 2008? Here, we summarize six key economic issues that impacts foreign businesses in China.

Rising Yuan: On one hand, yuan appreciation may ease political tensions with US and Europe, but it also squeezes profit margins of China-based businesses, driving them from exporting shoes and toys to focus on more advanced products with higher profit margins.

Olympic Games: This long-awaited event is expected to boost a wide variety of industries in China, including infrastructure construction, tourism, F&B, broadcast media and IT, real estate, retail, etc.

Inflating Prices: Coupled with the rising yuan, inflation will further drive costs up for businesses operating in China.

Environment Protection: More stringent checks will mean closure for some and change of strategies for others in the heavy-polluting industries. However, it will also create opportunities for foreign investment in related industries such as environmental technologies, infrastructure construction, management, etc.

Venture Capital: With the Chinese government shaping up its legal system and promoting concepts of innovative investment - more local and offshore venture capital funds can be expected to pour into China. This will spur entrepreneurship not only in the high-tech industries, but also in sectors such as business, consumer, retail, healthcare, energy, etc.

Central Governance: Though China is gradually opening up various industries to private and foreign investments, strong central control is expected to remain in sectors such as military, power generation and distribution, aviation, telecoms, etc.

For more information, please email to salina.leong@jljgroup.com.



The JLJ Group provides solutions to foreign companies entering and growing in China. Our core services include Market Consulting, Corporate Formation, Human Resources, Tax & Accounting as well as Business Process Outsourcing.

Send us your business enquiry at info@jljgroup.com or find out more about our services at www.jljgroup.com.

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