



Brought to you by The JLJ Group
Solutions for China Entry & Growth

Welcome to the inaugural issue of our e-newsletter. Here, we hope to share with you the latest regulatory updates and useful information so as to help you and your company prepare for the potential challenges in the China business environment.

This e-newsletter is brought to you, our valued network as part of JLJ's value-added service. If you do not wish to receive future issues of this newsletter, please unsubscribe [here](#).

Tax Updates

Tax Normalization



In an effort to balance the playing field for local companies, Chinese legislators have reformed the tax law, bringing tax rates for both local and foreign companies into balance. The new tax rate, normalized at 25% over a five-year period, was approved by the National People's Congress on the final day of its annual session and will take effect on 1 January 2008. However, the new law will not affect certain industry-specific preferential tax policies.

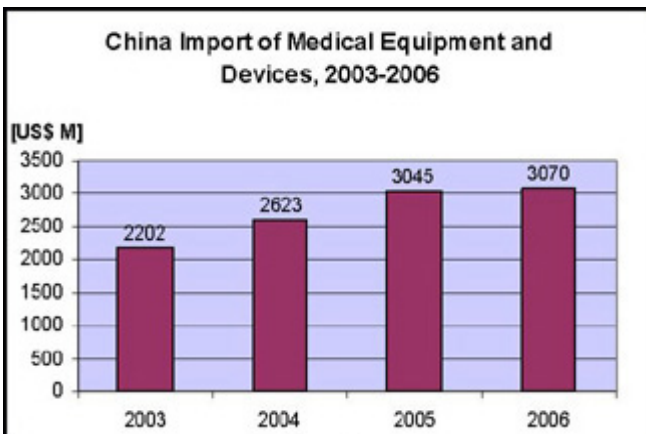
Companies qualified for High-Tech status or Software Development status can still enjoy a 15% tax rate and small and medium-sized foreign companies with slim profits are only required to pay income tax at 20%. China will also continue to offer tax incentives to enterprises in special economic zones and less-developed western areas of the country, as well as to investment in projects concerning environmental protection, agricultural development, water conservation, production safety and public welfare undertakings.

For more information about China taxation issues, please contact Timothy at tim.lamb@jljgroup.com.

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Market Insights

China's Medical Equipment and Devices Market



Source: World Trade Atlas, China Customs, JLJ Analysis

China's medical equipment & devices market, with estimated size of \$13 billion and world's third largest after US and Japan, offers significant opportunities for foreign companies - both for exports as well as for establishing a direct presence.

While there are more than 18,000 hospitals in China, key customers of medical equipment and devices, only the most advanced "Grade III" hospitals (about 1000) are able to afford foreign technology.

The overall sales process still lacks transparency and under-the-table dealings being not uncommon;

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however, starting from 2005/2006 the situation has been improving with stricter control and enforcement of central procurement procedures and public biddings.

In addition to the already established cities like Shanghai and Beijing, several tier-II cities are emerging as important markets - these include Tianjin, Nanjing, Shenzhen, Chongqing, Qingdao, Dalian, and Hangzhou.

Key success factors for foreign companies include selecting the "right" distributor(s); ability to differentiate product offerings from other foreign competitors; conducting effective marketing/promotional activities; offering after-sales service; protecting Intellectual Property.

For more information, please contact Alessandro at alessandro.duina@jljgroup.com.

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Human Resource

Benefits of Engaging a Professional Search Firm



Fuelled by foreign investors' demand for high caliber talent, Executive Search has been a popular service in China since 1992. The benefits of turning to a professional search firm is apparent, given the high candidate requirements by investors and a limited pool of qualified candidates in China.

1. Reaching candidates not currently in the job market. Through executive search firms' network and candidate records, it is possible to uncover suitable candidates who are happily employed and not actively looking for new employment opportunities.

2. Ensuring reliability in reference checks. Unlike in-house HR staff which do not have the network and have to rely heavily on references provided by the candidates, recruiters in professional search firms tap into their reliable and usually more realistic sources to get an honest story on candidates.

3. Executive hiring mistakes are extremely expensive. Professional search firms can help companies avoid hiring mistakes that often occur when inexperienced in-house HR staff miscommunicates job expectations or requirements.

For more information about professional executive search solutions, please contact Sherry at sherryxiao@huijiechina.com.

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Adjustments to China Visa Application Rules



As of January 2007, Shanghai's local authority has removed the rule that previously allows the following categories of foreign personnel to apply for Z visa (business visa) in Shanghai, without having to exit and re-enter the country:

- Foreign personnel of position higher than deputy general manager or
- Employees of a company with registered capital exceeding USD 3 million.

With the new ruling, such foreign personnel will have to either apply for Z visa before arriving in Shanghai, or leave Shanghai to apply for the visa before returning to the country again.

For more information about visa application procedures, please contact Sherry at sherryxiao@huijiechina.com.

Afternote: It seems, from JLJ's recent engagements with the relevant local bureaus, that foreign personnel that falls within these two categories are again allowed to apply for Z visa without having to exit and re-enter the country. (updated on 27 April 07)

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Board of Supervisors for WOFEs



Beginning late last year, all new registrations of WOFEs in China require a board of supervisors. The board - either a one-person board or a board consisting three individuals - is responsible for monitoring

financial affairs of the company and supervising regulatory compliance of the board of directors. There are no specific eligibility requirements for the supervisor except that he/she must be appointed by the shareholders and cannot be on the board of directors, or be the CFO, President, Vice President of the China entity.

Board of supervisors have been required for FICLS (Foreign Invested Companies Limited by Shares) but has never been enforced for WOFEs, although they were required in the revised Company Law released in early 2006.

For more information about China business, please contact Timothy at tim.lamb@jljgroup.com.

JLJ at DOMOTEX asia - 28 to 30 March 2007



Building on the success of last year's event, The JLJ Group will continue to offer free consultation services

to the participants of the DOMOTEX asia / Chinafloor exhibition. The international trade fair is one of the world's best places to source and sell floor covering materials. Participants will be able to seek advice on various issues relevant to their China market entry and growth projects, such as

- strategies for product, suppliers or partner sourcing in China,
- regulations and set-up procedures for various China legal entities,
- measures to safeguard intellectual property.

For more information about the event, please contact Lynn at lynn.ng@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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