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Solutions for China Entry & Growth*

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## Market Insights

### China's Imported Food & Beverage Market

Driven by China's growing middle-class and rising per capita income, interest in imported food and beverage products have been steadily increasing. As such, there may be opportunities for foreign food and beverage companies to successfully enter the China market.

However, the Chinese market is not easy to navigate, posing several unique challenges to companies not familiar with the landscape, such as:

- **Supply Chain:** Cold Chain and timely delivery to inland cities and secondary markets is somewhat challenging as transportation system standards and methods are still developing; for perishable items, it is especially important to monitor the supply chain
- **Sales & Distribution:** China's F&B market is highly fragmented; new entrants may want to consider initially cooperating with domestic players that have pre-existing networks or a better understanding of the local market; proper due diligence is critical in identifying and selecting potential partners
- **Branding & Positioning:** consumer perceptions and preferences vary widely due to regional



differences; it may be worthwhile to invest in consumer research to help understand how to brand and position F&B products for target markets

Although opportunities in China's food & beverage markets may be attractive in some sectors, potential foreign entrants should review all options carefully and make informed decisions based on their objectives and strategy. Therefore, it is important that companies understand key factors in their specific markets such as *market trends, competitive landscape, and regulatory environment*.

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## Tax Updates

### Changes in VAT Regulations

The State Administration of Taxation issued Circular Guoshuihan [2010] No.138 on 7th April 2010, containing revised measures helpful for manufacturers and VAT-taxable service providers.

The following points are a summary of the revised measures:

- The threshold of the general taxpayer has been lowered. The annual turnover for manufacturers and VAT-taxable service providers are limited to RMB500,000 as opposed to RMB1 million previously. For other businesses such as wholesalers and retailers, the annual turnover is over RMB800,000 compared to RMB1.8 million previously. VAT small-scale taxpayers with annual turnover below the prescribed thresholds and newly established companies with VAT taxable businesses are also allowed to apply for the VAT general taxpayer status
- The application documentation and recognition procedures have been streamlined with the intention of reducing the burden on taxpayers
- The registration process has been simplified. Under the current policy, to apply for general taxpayer status requires data review, field verification as well as other forms of approval. The new process simplified field verification procedures and gives provincial tax bureaus more authority in conducting field verification. This is not only beneficial to the taxpayers but also to the tax authorities to carry out a targeted audit fieldwork
- The relevant application and recognition timetable have been clarified. Any VAT small-scale taxpayer with annual revenue exceeding the threshold of VAT general taxpayers can apply for the VAT general taxpayer status within 40 working days after the tax filing due date. The tax authorities should complete the recognition of VAT general taxpayer status within 20 working days upon accepting the application



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## Human Resources

### Golden Rules for Staffing Managers to Select the Right Search Firm

As the Chinese economy continues to grow and increase in complexity, the



corporate world is increasingly recognizing the growing importance of sourcing the “best fit” talent to grow their organization. This has led to a surge in the number of Executive Search firms operating in China.

Without a good understanding of how an Executive Search firm operates internally, it is easy for a Staffing Manager to add an incompetent search firm to their recruitment vendor list. A common mistake arises when the bidder (the search firm) lowers their professional search fees and the staffing manager concludes that the bidder represents a cost saving to their organization and hence, adds it to their company’s recruitment vendor list. The Staffing Manager only realizes the error when the “cheap bidder” could not deliver and this adds hidden recruitment cost to the company. The common complaint is that the CVs sent in are not commensurate with the JD.

Below are some of the golden rules that would serve as guidelines for Staffing Managers in selecting their preferred search firm.

- The search firm should have a high researcher to consultant ratio
- The search firm has significant “off limit” advantage on client selection
- The search firm adheres to the following sourcing philosophy – “challenge the status quo, leave no stone unturned to reach a deeper, broader and more complete candidate universe”
- The search firm maintains a greater volume of repeat business for clients
- The search firm utilizes advanced SNS (social networking system) modus operandi

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## China FDI

### Shanghai World EXPO, a Window of Opportunities for Foreign Direct Investment



The World EXPO, a multicultural event hosting a total of 189 countries and 57 international organizations is China’s current opportunity to show its remarkable economic growth.

An opportunity that will last 184 days and introduces Shanghai with the theme “Better City, Better life” will give foreign nations and companies a chance to further develop business partnerships with China and Chinese companies. For foreign owned enterprises, an opportunity to strengthen their brands, win market share and display business strengths; a window to enter and explore business opportunities, exchange ideas of the world economy, technology and culture, and promote sustainable development in China.

One of the highlights of the Expo is the technology used which is visible in the Expo Park. It is showcased in installed capacity of solar power of 4.5MW, the utilization of hydrogen cars with the goal to achieve zero emission public transportation, LED semiconductors lighting system, practical application of 4G mobile communication technologies, eco-energy-efficient buildings, and waste pneumatic collection, among others. Overall, the opportunities will be throughout Shanghai in all fields and at all levels.

Shanghai Expo 2010 has a remarkable participation advantage. Netizens from all over the world have the opportunity to be present through the [official site](#) to learn more and participate in the Expo through the internet in many different languages. The country pavilions also have their own website and social networks

informing about their official visits, trade missions, seminars and conferences, networking events, as well as cultural and social events for you to join.

We strongly encourage you to engage actively in the world Shanghai Expo 2010 to grow your business in China.

If you have any questions, please feel free to email to [andrea.cristancho@jljgroup.com](mailto:andrea.cristancho@jljgroup.com)

## The JLJ Group

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.

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