

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

Welcome to JLJ's e-newsletter - **China Focus**. 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.

China FDI

New Franchising Regulations



New regulations for the operation of franchises in China will become effective starting next month. Introduced by the Ministry of Commerce (MOFCOM) in the beginning of this year, the new regulations are expected to make establishing franchises in China easier.

For example, in the previous regulations, a franchisor would have to operate within China for a minimum of one year with at least two stores in the country before they were allowed to begin franchising. With the new regulations, the requirement that these two stores be located in China has been dropped.

For more information, please email to tim.lamb@jljgroup.com.

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Market Insights

Industry Snapshot: Wine Market in China

Wine appreciation is becoming popular in China, along with the rise of consumers' disposable incomes. JLJ has successfully assisted an Italian premium wine brand, **GAGLIOLE**, fight its way into the Chinese market.

A few key findings emerged from the project:

- The tariff decrease between 2003 to 2006 (from 44.6% to 14%) has fuelled the growth of many wine importers, including that of wines from both the "old world" - such as France and Italy - as well as the "new world" - including Australia, South Africa and New Zealand.
- The annual growth rates in import volumes can range anywhere between 10% to 50% (or even more), depending on the specific country and brand.
- While the rapid growth of the wine market seems attractive, there are several challenges that foreign wine producers must overcome. These include the tough search for reliable distributors in China who are willing to expand its existing portfolio,



The Gagliole Experience

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cumbersome label approval procedures, fierce competition (especially among foreign brands) and high pressure on prices (therefore, on margins).

Understanding local market conditions was key to Gagliole's successful entry into China. Today, Gagliole Rosso - made from Sangiovese and Cabernet Sauvignon grapes, a well structured and balanced wine with dense, sweet tannin - can be found in all METRO stores across China.

For more information about China entry strategies, please email to alessandro.duina@jljgroup.com.

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Human Resource

Why do employees leave?



High staff turnover is a heavy financial burden which, on average, costs companies 25% to 50% of the resigned employees' annual salary - considering the cost of hiring, training and productivity loss. There are also other non-monetary repercussions including the loss of company knowledge, disruption to customer service and negative impacts on staff morale.

Investigating the underlying causes of turnover is particularly important for companies operating in China, where there is a severe shortage of talent and qualified candidates are in high demand. Some common resignation reasons quoted by employees include:

- **Lack of training opportunities and realistic career development plan.** Good employees always crave for chances to take on more challenging tasks. If your organization fails to provide or inform the employees of available opportunities, you will risk losing an enthusiastic employee.
- **Unattractive salary, benefits and incentives package.** At the end of the day, everyone needs to pay for their bills. There is a greater reason for your employees to seek alternative employment if their package does not match up to industry benchmarks.
- **Non-conducive work environment.** Many companies often neglect the nitty-gritty details. Unfortunately, factors such as inaccessible work location, poor office facilities, uncooperative colleagues and non-flexible working hours do play a part in increasing staff resignation rates.

For more information about staff retention, please email to sherryxiao@huijiechina.com.

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Tax Updates

China's Personal Income Tax Returns



Individuals with an annual gross income exceeding 120,000RMB were required to file personal income tax returns by 31st March 2007. By 2nd April, the State Administration of Taxation (SAT)

reported only 1.6 million tax returns received, though experts estimate 6 million individuals in China should have filed personal income tax returns this year.

Employees are responsible for filing their personal tax returns. Penalties for late filings could range between 2,000 to 10,000RMB. For more information, please email to tim.lamb@jljgroup.com.

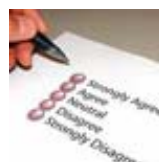
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Ask the Experts!



Can't find the right answers to your questions about China entry and growth strategies? Let our professionals assist you. Post your question [here](#).

Give us your feedback...



Hope to read about a particular topic in our newsletter or have some suggestions for us? Send your feedback to 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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