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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 relevant to China's business environment. This e-newsletter is brought to you, our valued network, as part of JLJ's value-added service.

## Human Resource

### Shanghai Raises Social Insurance Contribution Range to RMB 1,735 - RMB 8,676



As of 1st April 2008, employers in Shanghai will see their social insurance payments increased if their local employees' (Shanghai-residency) monthly salaries are below RMB 1,735 or between RMB 7,392 and RMB 8,676. The lower and upper limits of the contribution range - equivalent to 60% and 300% of Shanghai's average salary respectively - are adjusted annually according to official statistics

published by the Shanghai authorities. Last year, Shanghai's average monthly salary rose 17.4% to RMB 2,892.

Meanwhile, integrated insurance premium for employees of non-Shanghai residency has been increased to RMB 216.90 per month and the minimum hourly and monthly wage requirements in Shanghai have been adjusted to RMB 8 and RMB 960 respectively. Employers should expect similar adjustments to the contribution range for public housing fund in July this year.

For more information about social insurance schemes for Chinese employees, please email to [may.bai@jljgroup.com](mailto:may.bai@jljgroup.com).

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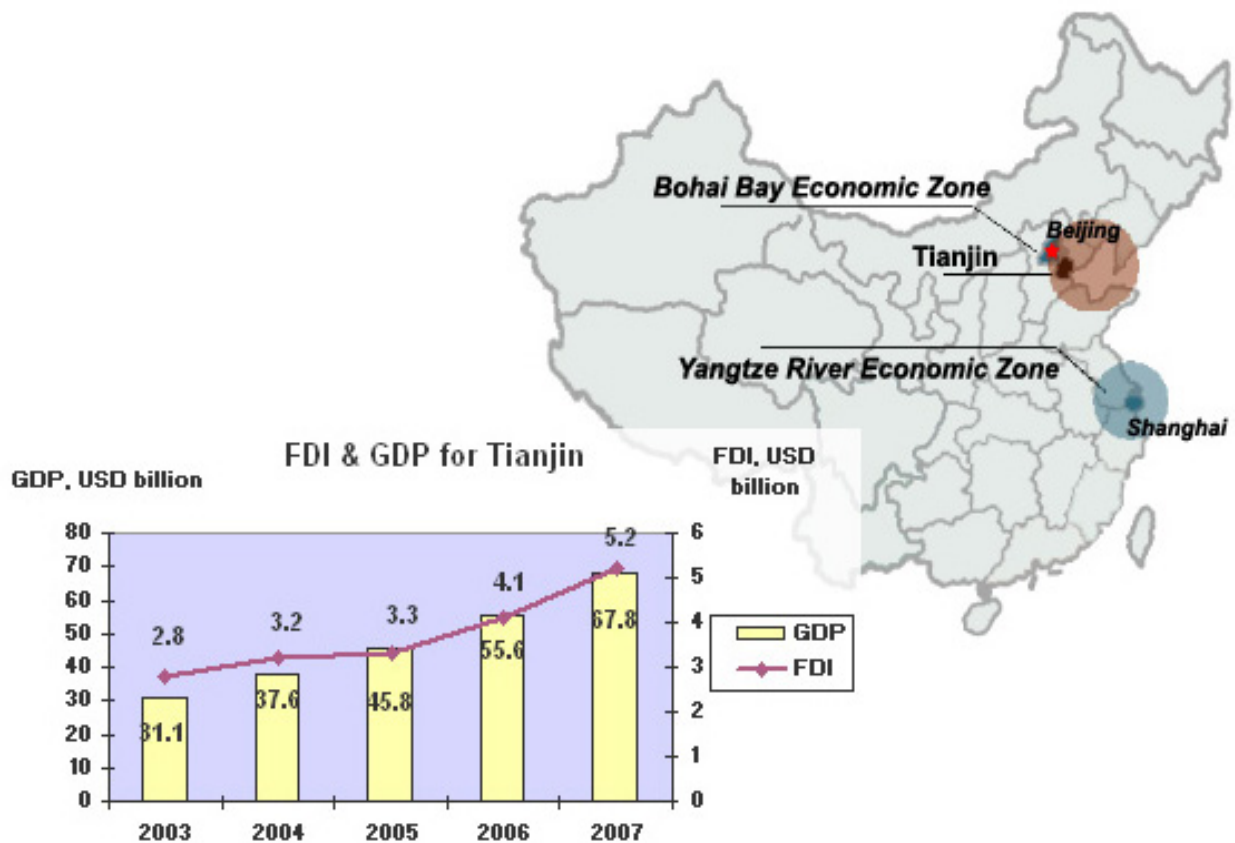
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Tier 2 cities series: Tianjin

Over the next few issues, we will feature a series of articles introducing key Tier 2 cities in China, including their macroeconomic data and key industries.

Tianjin, a popular second-tier city destination for foreign companies, is one of the four autonomous municipalities in China, together with Beijing, Shanghai and Chongqing. Tianjin belongs to the Bohai Bay Economic Zone, which is one of the three largest economic zones in China and is the principal shipping center for northern China. With a per capita GDP of \$ 6,083 in 2007, Tianjin is one of the wealthiest second-tier cities in China. The following table provides an overview of the key macroeconomic data.



Tianjin's traditional industries include iron and steel, machine building, chemicals and textiles - industries that were largely dominated by state-owned enterprises in the past. Today, Tianjin's economy is oriented towards industries such as electronics and telecommunications, automobile, ship building and petrochemicals, which have been heavily promoted by the government in its impressive industrial parks. In fact, Tianjin is home to one of the country's first development zones, the Tianjin Economic and Technological Development Area (TEDA), which has attracted more than 4,000 foreign companies since it was first established in 1984.

Tianjin now also presents one of the most important electronics manufacturing cities in North China - the industry generated a revenue of \$25 billion at the end of 2006. It is indeed not surprising that industry giants such as Motorola, Samsung or Sanyo have all established presence in the city that is often seen as the port city for Beijing.

For more information about Tianjin or any specific industries, please view JLJ's Industry Reports [here](#) or email to [katja.friedrich@jljgroup.com](mailto:katja.friedrich@jljgroup.com).

### Evaluating Locations for Your China Business

With 31 provinces and autonomous regions in China each offering unique opportunities and challenges, identifying the optimal location for your China business can be a challenging, but mission critical task. The selection process is further complicated by the lack of reliable official information and constant change in the regulatory environment.



Factors that impact the choice of location include:

- Local government policies and incentives as well as their attitudes and efficiency
- Proximity to business network, including customers, partners and suppliers
- Infrastructure and accessibility
- Cost of operations (eg. land, labor, etc)
- Availability of qualified labor

Special Economic Zones (SEZs) have been popular investment destinations as they generally offer attractive preferential policies, sound infrastructure, and high concentration of companies and business network. Many companies have also started to explore the hinterlands, driven by market saturation and rising costs in coastal areas as well as the Chinese government's push to economically develop its central and western regions. No matter where you intend to set up your operations, be sure to conduct thorough analysis, visit the actual locations and connect with the local authorities and communities, before making a final decision.

For more information on location site analysis, please email to [salina.leong@jjgroup.com](mailto:salina.leong@jjgroup.com).

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## Tax Updates

### Tax Exemption for Dividend Distribution



By now, all foreign companies in China should be aware that a 10% dividend withholding tax has been imposed by China's new tax laws. The good news is, Circular "Cai Shui" (2008) No.1 clarified that distribution

of pre-2008 retained earnings to foreign shareholders are exempted from withholding taxation. For more information about the taxes applicable to foreign enterprises in China, please click [here](#) or email to [salina.leong@jljgroup.com](mailto:salina.leong@jljgroup.com).

## Press Room

### JLJ in the Spotlight...



JLJ recently contributed an article to British Chamber's April issue of The Beat magazine. Titled "[\*\*Franchising - the Way to Go in China?\*\*](#)", the article highlights key opportunities and challenges for foreign franchisers in China

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](mailto:info@jljgroup.com) or find out more about our services at [www.jljgroup.com](http://www.jljgroup.com).

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