



*We are positioned to provide best-value service and cost-effective solutions, making us - especially in a time of worldwide economic turmoil like today - the ideal partner for your China projects.*

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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.



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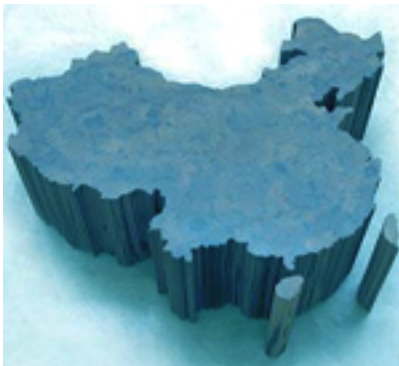
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## Market Insights

### The world economic crisis and its implications on China



*In this edition we focus on the world economic crisis and its implications on China - taking a break from the current series of case studies which will resume from the next edition.*

Although the rippling effects of the financial crisis have been felt throughout the world, China is relatively insulated from its full impact. With developed economies entering recessions, China, with its forecasted GDP growth of around 8% for 2009, is still the country foreign companies are looking to for their global growth plans.

Although there are economists and experts on both sides of the fence as to how the crisis will affect China, there are several important factors which make China unique and a relatively safe bet for investment:

- **Stable Banking System** - Backed by the Communist Party, meaning stability and no chance of insolvency
- **Credit Still Available** - Central bank controls the money supply, a credit crunch will only exist when wanted
- **Conservative Monetary Policy** - Capital account is closed, meaning stable RMB value; over 2 trillion USD worth of foreign reserves available to bolster economy
- **Exports Still Growing** - Although China has seen some export markets slow, overall exports continue to grow
- **Domestic Consumption Growing** - Internal factor driving Chinese economic growth
- **Strong Fixed Asset Investment/Stimulus Package** - Strongest driver for growth; government recently announced a RMB 4 trillion stimulus package to further boost infrastructure development and other sectors

Other measures the Central Government can implement include: *tax cuts, increased export rebates, loosening the money supply, increases in government spending, etc.*

**The JLJ Group** is well positioned to provide best-value service and cost-effective solutions, making us - especially in times of worldwide economic crisis - the ideal partner for China projects.

For inquires about this article or the work of our consulting division, please email Mark at [mark.ray@jljgroup.com](mailto:mark.ray@jljgroup.com)

## Human Resouce

### Crisis or Opportunity - what professional headhunters can do for their clients?



The recent economic slowdown requires many companies to implement cost-saving strategies to cope with the current global economic crisis. It is not surprising, that during these unpredictable times, many small-sized companies are being forced to leave the market, which happens outside of China to a large extend and inside of China at a lower, but still significant level. Over the past few months, we have already seen a number of small recruitment companies disappear, but at the same time we have not seen any professional recruiters, in any part of the world, suffer the same fate.

#### Avoiding lemons... what professional recruiters in China can do...

- A professional recruiting company in China will first of all have many years of service experience in China to be able to make the right judgment in such a complex economic environment
- A good recruiting company will focus on personally meeting clients, interviewing candidates face-to-face, recruit and network for quality candidates and work to attract the best talent only
- Especially now, where the economic crisis frees multiple talents to the market, reference checks take on a much more important role than ever before - a task only a professional company will be able to fulfill as it requires a significant amount of experience
- A professional recruiter will also assist clients in managing their company branding, which is both important for the client to attract and retain top talent as well as to attract new customers

Our mission at *HuiJie Consulting* is to be THE trusted partners and advisors who add clear and measurable value for our clients in the recruiting sector. *How?* We are devoted to the client's best interest, develop a deep knowledge of their company and culture, and provide the highest ethical standards, strong values, clear communication and absolute candor.

For more information, please email to [rosewu@huijiechina.com](mailto:rosewu@huijiechina.com)

## Tax Updates

### China's new VAT reform

The new VAT treatments, which will allow general VAT payers to recover input VAT incurred on the purchase of certain new equipment, will become effective on January 1st, 2009.

Currently, only qualified enterprises, especially certain foreign-invested enterprises, may apply for VAT exemptions on imported equipment and VAT refunds on the purchase of domestically produced equipment. The new VAT treatments will have different impacts on various foreign-invested enterprises, depending on the different classifications and the nature of business of foreign investments in China. Foreign investments in China are classified as "encouraged", "permitted", "restricted" and "prohibited" under the foreign investment catalogue - currently, if a foreign-invested enterprise is classified as "encouraged", the enterprise will be eligible for VAT exemption on certain imported equipment or can claim a VAT refund for the input VAT incurred on the purchase of domestically produced equipment. This preferential VAT policy will be abolished on January 1st, 2009.



For more information on VAT, please contact [lynn.lee@jljgroup.com](mailto:lynn.lee@jljgroup.com)

## China FDI

### Shanghai to offer subsidies to attract foreign HQs

To encourage foreign companies to further set up their HQs in Shanghai, the government recently announced that it will provide millions of Yuan to attract foreign HQs. To compete better against other cities in attracting foreign HQs, Mayor Han Zheng, announced that Shanghai "will continue its opening to overseas companies, which have already made a great contribution to the city's development".

Under its corporate-attraction strategy, Shanghai will provide startup cash subsidies of RMB 5 million (US \$729,927) to multinational companies that form a local holding company and establish at least a China or Asia-region headquarter



here, according to the city's commerce commission. The implementation guidelines also include a provision on lowering capital requirements, which will allow many small to medium-sized enterprises to benefit from these promising incentives. More importantly, the incentives will also be provided to companies shifting their regional headquarters from other cities. Consequently, many more foreign companies are expected to set up their HQ over the coming new year.

For more information on Shanghai's corporate-attraction strategy, please email to [salina.leong@jljgroup.com](mailto:salina.leong@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.

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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