



The JLJ Group is well positioned to provide cost-effective solutions during these uncertain economic times.

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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.

China FDI

New Policies and Incentives for Foreign Investment



To further encourage foreign investment in western and central China, the government recently revised the "Central-Western Area Foreign Investment Advantage Industry Catalogue" to expand business opportunities for foreign companies. The new directory replaced the 2004 version and took effect in January 2009.

The new catalogue encourages foreign investors to invest in agriculture, environmental protection, services, infrastructure and industrial upgrades in the 21 provinces, autonomous regions and municipalities in western and central China.

As investment in the less-developed central and western regions is likely to suffer more from the global economic downturn than coastal regions, local governments are rolling out significantly more preferential policies and measures to attract investment, such as tax breaks, low-interest loans and cheap rent on industrial-purpose land.

For more information, please email to salina.leong@jljgroup.com

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Talent Recruitment Market

Now that the impact of the financial crisis has become much more obvious to Chinese mainland enterprises, more and more information about redundancies at well-known companies is being released. Surveys show that hiring quotas have dwindled over the past year and more executives expect their organizations to shrink the size of their workforce in the foreseeable future.

But should downsizing and recruitment freezes be the only HR options in this downturn?

The situation varies significantly from industry to industry; while downsizing in the manufacturing and financial services sectors has been much more common, executives in the energy sector actually expect an increase in hiring in 2009. The downturn can be a great opportunity for companies to recruit new talent and to restructure their organization - more and more talented candidates are emerging on the labor market with relatively lower salary expectations than before. To find the right candidates and to reduce the time spent on searching and on interviews, it might be wise to engage a professional recruitment agency that is well established in the China market.



For more information, please email to ronnietang@huijiechina.com

Market Insights

Case Study: Effective Screening for Acquisition Targets



This edition of the JLJ Newsletter continues our series on case studies taken from recent client work. Names and references will be kept generic to respect full confidentiality of our clients' projects.

Two leading Asian organizations asked us to scan the China market in a specific segment of the Environmental sector and screen potential companies as potential M&A targets.

Some key aspects of the methodology for this 5-month long project, included:

- **Developing detailed screening criteria:** clarifying specific criteria was crucial to narrow the initial target list from over 1,000 companies to just over 10 companies that matched the client's requirements
- **Digging Deep:** JLJ had to dig deep into the details of each company to find information that may not have been easily available and could have an impact on the M&A activity
- **"Open doors", organizing face-to-face meetings:** once the final targets were selected, JLJ set up and coordinated meetings between our clients and top-level executives within the target companies

This was a multi-phase project that required a systematic approach to best identify targets and create a more

manageable list of targets to set up face-to-face meetings with. The screening criteria were extremely important to the project's success as was the ability to "dig deep" to uncover critical information.

For inquires about this article or the work of our consulting division, please email Mark at Mark.Ray@jljgroup.com

Tax Updates

China Transfer Pricing - "The New Measures"

The State Administration of Taxation recently signed the final version of the "Implementation Measures of Special Tax Adjustment (Provisional)" (the "Final Measures"). The document sets out the special tax adjustment administration by tax authorities, explaining how tax payers should comply with the new measures and how tax administrators should enforce the provisions contained in Chapter 6, covering enterprises' transfer pricing, advance pricing arrangement (APA), cost sharing arrangement, controlled foreign corporation, thin capitalization and the general anti-avoidance rule.



With the implementation of the "Final Measures", China's transfer pricing is now based on a comprehensive set of rules and regulations laying down tax-filing-disclosure and contemporaneous-documentation requirements. It also provides clarification of the definition of related party and transfer pricing methods and outlines the processes for transfer pricing investigation and assessment.

The Measures were released on January 9 and could cause significant impact on tax payers.

For more information on the "New Measures", please email to 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.

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Shanghai

Suite 603-605 Oriental Center,
699 Nanjing West Rd 200041
T: +86 21 5211 0068 | F: +86 21 5211 0069

Beijing

Suite 1008, Tower B, Bldg 3,
22 International Art Plaza / Pingod North
32 Baiziwan Rd, Chaoyang District 100022
T: +86 10 5876 9437 | F: +86 10 5876 9467

Boston

162 Chapel Street Newton, MA 02458
T: +1 857 636 2596