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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

Shanghai Remains an Attractive Investment Location



Shanghai continues to attract foreign investment in 2007 - with 191 new foreign enterprises bringing in a total investment of US\$2.1 billion. Over three-quarters (or 147) of the investors chose to incorporate as WOFEs while the remaining 44 enterprises adopted joint venture structures.

Manufacturing WOFEs forms the majority of the newly established enterprises. While the growth of Service WOFEs remains stable, the number of Real-estate WOFEs incorporated last year fell sharply. The bulk of Shanghai's foreign investment came from Asia - Hong Kong particularly. Singapore, USA, Korea and Taiwan are the four other top investors.

Until December 31st, 2007, Shanghai's accumulative total foreign investment exceeded US\$6.2 billion and the accumulative total of the registered capital was over US\$3.7 billion.

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Reducing emissions and increasing energy efficiency in China



China is one of the world's largest polluters and most inefficient users of energy. The 11th Five-year Plan (2006-2010) seeks to address this issue by elevating clean technologies and energy efficiency to a strategic priority. The country has ratified both the Kyoto Protocol and the United Nations Framework Convention on Climate Change, but is not legally bound by emission caps due to its developing status. Nevertheless, China's internal goals to reduce emissions and to increase energy efficiency are ambitious.

Non-renewable energy - coal, oil & gas, and nuclear - account for some 94% of China's energy mix. In particular, coal accounts for about 69% of the energy mix and forms the backbone of China's economic engine. Coal burning accounts for some 90% of SO₂ emissions - reducing emissions from coal burning is thus critical to reducing overall emissions. Chinese technology is fairly mature for some types of Clean Coal Technologies (CCTs), but foreign expertise is still needed, for example for advanced coal gasifiers, Coal Mine Methane extraction technologies, and circulating fluidized bed boilers.

At the same time, the government aims to increase the share of renewable energy to 10% of the energy mix by 2010, and 15% by 2020. Besides hydropower, there is also strong attention on wind power and biofuels, which offer opportunities for foreign companies. However it must be noted that government regulations generally aim at encouraging local production and technology transfer. In some sectors, partnership with a local company is mandatory.

For more information, please email to candice.lin@jljgroup.com. To learn more about other key industries in China, please click [here](#).

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China's New National Public Holidays

The Chinese government officially shortened one of the country's three "golden week" holidays and introduced 3 new one-day public holidays. Three traditional festivals -- Tomb-Sweeping Day, Dragon-boat Festival and Mid Autumn Festival will become the new national public holidays.

The Chinese Government will continue the practice of creating longer holiday periods by swapping workdays with weekends. For 2008, New Year Day, Tomb-Sweeping Day, Dragon-Boat Festival, Labor Day, and Mid-Autumn Day will be 3-day holidays, while Spring Festival and National Day remain as 7-day holidays.



2008 Public Holidays

New Year Day	1 day	Jan 1st
Spring Festival	3 days	Feb 6th - Feb 8th
Tomb-Sweeping Day	1 day	April 4th
Labor Day	1 day	May 1st
Dragon Boat Festival	1 day	June 8th
Mid-Autumn Day	1 day	Sept 14th
National Day	3 days	Oct 1st - Oct 3rd

The State Council also announced regulations related to paid leave, stating that employees shall be entitled to paid leave after serving the employer for one year. The number of days of paid leave entitlement will be calculated based on the employees' years of service with the company.

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Tax Updates

2008 China Tax News in Brief



Resource Tax: China's reformed resource taxation system - aimed at limiting energy exploitation - is expected to be announced this year, with a potential shift from volume to price-based taxation

and an expanded list of taxable resources.

Property Tax: In a move to curb rocketing housing prices, China will add 3 to 5 cities to the existing list of 10 cities running pilot trials of the new property tax system since 2007.

Fuel Tax: China has yet to set a timeline for the implementation of the long-awaited fuel tax. First discussed in 1994, the controversial proposal was never implemented due to resistance from commercial consumers such as bus and taxi operators.

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

JLJ News & Events

JLJ wishes you
a prosperous new year



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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