

*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 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

China Approves New Labor Laws



After eighteen months of heated debate, China's new labor law has finally been approved on 29 June 2007 by the Standing Committee of the National People's Congress. The law has elicited more than 190,000 public comments since the publication of the first draft in December 2005.

While the new law, effective from 1st January 2008, serves to better protect the rights of the workers, it also grants labor unions more authority, makes firing more difficult and restricts the use of part-time labor.

Several provisions have been added or elaborated on key issues such as:

- Penalty for employers who do not provide employment contracts
- Establishment of company rules and regulations in consultation with labor unions
- Payment of severance compensation and its maximum limits
- Conditions for use of part-time labor
- Execution of training bonds, non-compete and confidentiality terms
- Responsibilities of staffing firms

Under the new labor law, Representative Offices in China will still not be able to directly hire local employees and must do so through an authorized staffing firm.

For more information about the new labor law, please email to may.bai@jljgroup.com.

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Contribution to Public Housing Fund Increases



Public housing fund is one of the benefits that employers in China must contribute for their Chinese staff. Similar to other social benefits such as pension, unemployment, medical insurance, a minimum salary base and a maximum salary cap applies to the calculation of the monthly contributions.

As of 1st July 2007, Shanghai's minimum base and maximum cap for public housing fund contributions have been respectively raised to RMB 1,478 and RMB 7,392 (equivalent to 60% and 300% of Shanghai's average salary respectively). This aligns the contribution basis of the public housing fund with that of other social benefits, which was recently adjusted this April. Such adjustments are performed annually to reflect the changes in Shanghai's average salary.

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For more information about social benefits schemes for Chinese employees, please email to may.bai@jljgroup.com.

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Market Insights

Recent Trends in China's Logistics Industry



China's logistics market grew 13% annually in the last few years to reach a value of \$490 billion in 2006. Historically, over-regulation and local protectionism at the provincial and local level has hindered the development of nationwide transport networks and licensing process for foreign companies also remains fairly complicated. However, there is increasing government attention in this issue and the 11th Five-Year Plan promises to improve regulations and introduce more adequate industry standards.

In particular, the Third-Party Logistics Provider or 3PLs landscape in China is very fragmented with about 18,000 3PLs. Making up less than 20% of the market, the industry faces issues such as lack of companies with national network, low service levels and poor technology.

JLJ has identified six key trends in China's logistics sector:

1. continued growth in logistics market for several years ahead
2. increased outsourcing to 3PLs
3. increasing foreign presence
4. consolidation and increasing quality of domestic 3PLs
5. de-regulation and standardization
6. greater use of technology

Opportunities for foreign companies exist in several areas such as specialized 3PLs, supply chain management services, warehousing, software, and technology products. Different market entry options are possible and companies should carefully evaluate pros and cons of each option before making a decision.

Email to alessandro.duina@jljgroup.com to find out more about how JLJ can assist you in making those complex decisions as well as implement the best alternative.



JLJ recently presented the key trends of China's logistics industry at a World Trade Magazine's webinar. Click [here](#) to view the archived weinar presentation.

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China FDI

Register Your Trademark



Having your trademark registered in your home country does not mean your trademark is protected in China. If you are thinking about establishing a presence in China - whether it is setting up a company or simply selling through an existing distributor - your first step to entering the market should be trademark registration.

Although the process typically takes a year and a half to complete, China follows the first to file rule. Your registration will be valid for 10 years and may be renewed indefinitely. Trademark registration is not designed just for large companies or well known brands; the cost of registration is not prohibitively high, but the cost of not registering may be if someone hijacks your brand.

For more information about registering your trademark, please email to tim.lamb@jljgroup.com.

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Tax updates

China Reduces VAT Rebate



Many manufacturers and procurement companies were affected by the reduction of the VAT rebate on more than 2,000 goods on July 1st. Of immediate concern to companies should be how their exported products are

classified under the tariff codes and how they may qualify underneath a code that was not affected by the recent reductions. Procurement offices may also want to consider their current structure in China to see if there is a benefit to restructuring.

For more information about VAT rebates in China, please email to tim.lamb@jljgroup.com.

JLJ News & Events

JLJ to Speak on China's Logistics Industry



Timothy Lamb, JLJ Director for FDI Services Division, will be sharing insights on "Best practices for setting up in China and Challenges of operating in China" at the Sino-American Logistics Conference and Exhibition (SALCE). SALCE 2007 is China's premier transportation and logistics conference which brings together industry leaders, academia and government from US and China, to form new initiatives, cooperation and partnerships. For information on this conference, please click [here](#).

Conference Details:

Date : Wednesday, 18th July 2007
Organizer : American Society of Transportation and Logistics (AST&L)
Venue : Beijing 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 or find out more about our services at www.jljgroup.com.

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