



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

*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.

China FDI

China Travel Sector Open to Foreign Companies



The State Council of the People's Republic of China and the China National Tourism Administration published new regulations on travel agencies that went into effect from 1 May 2009. These are in response to China's WTO commitment to permit wholly foreign-owned travel agencies and to allow them to establish branch offices. It also strengthens the administration of travel agencies and further protects the interests

of tourists.

The new law allows wholly foreign-owned travel agencies to setup in China as well as to establish branch offices and service networks. The previous law (written in 1996) limited foreign investors to establishing joint ventures only. Furthermore, the registered capital requirement was extremely high (RMB 4 million, or US\$ 585,000), and only large foreign travel agencies with annual revenue above US\$40 million and who were members of their own nation's travel agency association were qualified. According to the new law, any foreign investor is allowed to engage in the domestic and inbound travel business in China and will face the same registered capital requirements as domestic companies. Outbound Chinese tourism, however, is still off-limits to foreign-invested enterprises.

The new Travel Agency Regulations simplify the formalities and lower the threshold to establish travel agencies in China. They create a fairer playing field for wholly foreign-owned travel agencies to compete with their Chinese counterparts in the inbound and domestic tourist market. This should create more business opportunities for foreign enterprises to enter an increasingly healthy and robust Chinese tourism market.

For more information, please email to ian.winestock@jljgroup.com

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Human Resources

Current Financial Crisis and Recruitment Trend in China



A survey of more than 350 MNCs in China has found that nearly 70% are planning to reduce hiring this year. Finance, communications, automotive, property and IT sectors were the hardest hit, while FMCG and pharmaceutical companies were the least affected.

Companies are now looking at optimizing existing manpower through internal transfers and training programs instead of hiring new staff. The latter is reserved only for important positions that cannot be left vacant, and such offers no longer include attractive compensation packages. In fact, many big international recruitment firms such as Manpower Inc. have already been forced to downsize.

On the other hand, the crisis has also resulted in an inflow of investments into China. Faced with a bleak economy back home, European and American private firms have found the new areas of energy, cleantech and digital media in China particularly attractive. Consequently, venture capitalists are taking this opportunity to hire top investment talents in anticipation of a potential market recovery in the next 6 months.

It is interesting to note that the Chinese characters of the word 'crisis' (wei ji) represent both danger (wei) and opportunity (ji). While hiring in a recession appears contrary to common logic, it is actually a rare opportunity to recruit some of the best talents usually unavailable. Hence, talent managers should rethink about their hiring strategies. Businesses that learn to work the crisis to their benefit will have the best chance to survive and emerge ahead in 2009.

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

Market Insights

Case Study: Proof-of-concept testing

This edition of the JLJ Newsletter completes 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.

Understanding whether the China market is ready for a product or service is both crucial for any company seeking entry.

One of our clients, a leading American microfinance organization, asked us to conduct in-depth interviews in a remote province of China to understand financial decision making among entrepreneurs and test the market interest for a new proposed service. Key Success Factors for this project were:



- **Structuring a suitable questionnaire for the "China context":** asking the right questions in a culturally-relevant, friendly and understandable way was crucial to obtain useful and meaningful responses
- **Recruiting correct sample and develop proper positioning:** recruiting the correct sample and properly positioning the interviews was crucial to the execution of efficient and effective interviews
- **Execution of Logistics:** in less than 5 days, our on-the-ground team travelled to a remote area of China, organized and conducted 40 in-depth face-to-face interviews with busy entrepreneurs
- **Proper presentation of data collected:** analyzed and presented the data collected to the client in a useful and easy to understand manner

The project was executed in close partnership with the client, who participated in all steps of project preparation and interview execution. The project was successful as our team fully understood the key success factors specific to this project.

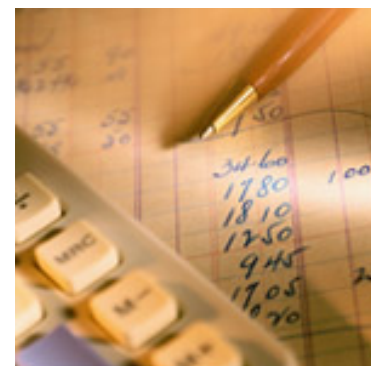
For inquires about this article or the work of our consulting division, please email Mark at Mark.Ray@jljgroup.com

Tax Updates

Tax Exemptions for Quake Donors

With respect to the first anniversary of the Sichuan earthquake disaster, corporations are reminded that donations made towards the relief of disasters, poverty or disadvantaged individuals, of not more than 12% of one's total annual profits, can be exempted from taxation. This has been issued by the State Administration of Taxation under Taxation [2008] No. 160.

However, corporations should take note that only donations made through public welfare social organizations or people's government at or above the county level and its departments will be able to qualify for the exemptions. Moreover, in order to facilitate the tax exemption process, corporations should also prepare documents such as a copy of the registration certificate of the donation, legal documents of the corporation, previous year's sources of funds, audited financial report, annual examination report from the Home Department, and findings from social organizations.



For more information, please email to kevin.wang@jljgroup.com

Education & Training Industry Report

We would like to inform you all that JLJ's new industry report on *China's Education & Training market* is **NOW** available!

For more information, please visit our website, or click [here](#) to read the pdf version.



JLJ Beijing Office Relocation

Please **note** our Beijing office has moved. The new address is:

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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 or find out more about our services at www.jljgroup.com.

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