



*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.

## Market Insights

### China's Franchising Industry



China is the world's largest franchise market - with about 200,000 franchised retail stores of over 2,600 brands in more than 80 sectors. In the last few years, the industry has grown significantly at 35 to 40% annually, mainly due to rising disposable incomes and an increasing number of Chinese entrepreneurs willing to adopt franchising models.

The F&B industry was one of the first and also the fastest growing franchising sector in China. Sales from franchised F&B stores grew at 40% annually between 2003 and 2006 - consequence of expansion of both fast-food and casual dining chains. Franchising is also commonly adopted by fashion retailers to expand into Tier 2 or Tier 3 cities, while stores in Tier 1 cities remain wholly-owned.

There are good opportunities for foreign franchisors in China, especially for mid-market or high-end brands. With new franchising regulations announced in March 2007, foreign franchisors can now enter the market via either cross-border franchising or establishing a local legal entity (WOFE/JV). However, foreign franchisors should take into consideration several key challenges, including the difficulty of finding good partners or franchisees, lack of control over store quality, need for localization, etc.

These information were taken from the [China Franchising Industry Report](#) jointly produced by The JLJ Group and the US Commercial Service. To view the executive summary or to purchase the full report, please refer to detailed information below or email to [candice.lin@jljgroup.com](mailto:candice.lin@jljgroup.com).

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## NOW AVAILABLE: China Industry Reports

Comprehensive market information and analysis on key emerging markets beyond China's Tier I cities.

Each Report is available at only **US\$150** (RMB1200/€120) and features one of the following industries:

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- Logistics & Distribution
- Medical Equipment & Devices
- Software
- Telecom Equipment
- Semiconductor Manufacturing Equipment
- Integrated Circuits
- Automotive Components
- Clean Technologies & Energy Efficiency *(Available Soon)*
- Education & Training *(Available Soon)*
- Food Processing Equipment *(Available Soon)*



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## China FDI

### Choose your business location wisely



To register a Foreign Invested Enterprise or Representative Office in China, one of the documents that companies need to provide is a one-year lease agreement.

The Chinese government has imposed several requirements for business locations. Companies must be situated in zones permitted for their type of business activities. For example, a retail outlet must be registered in an area zoned for retail while a business office must be in an area zoned for commercial use. In particular, Representative Offices can only be established at authorized premises, which is limited to Grade A buildings in most first tier cities. For companies that wish to set up a small office in a short time, there are serviced offices that can offer fully equipped office space and total-solution services.

Site location should always be taken seriously. While it is relatively easy to move your business from one building to another within a city district, it may take up to 4-6 months to move between districts. Finally, it is impossible to move your entity to another city without cancelling the entity and setting up anew.

For more information about locating your business, please email to [tim.lamb@jjjgroup.com](mailto:tim.lamb@jjjgroup.com).

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### Hunt your Headhunters



The headhunting industry had just started in China in the mid 90s, and lately new players are mushrooming due to the continued influx of foreign investors. In Shanghai alone, there are over 6000 headhunting companies, but many are with immature operations and management.

Finding a competent headhunting firm to deliver desirable results for your candidate search is often a daunting task. Every company seems to use the same sales jargon - widespread network throughout China, international connections, large candidate database, focused industry experience, significant off-limits advantages, and the list goes on... Yet many of them seem to lack the most critical element - **EXPERIENCED CONSULTANTS** who possess the full spectrum of

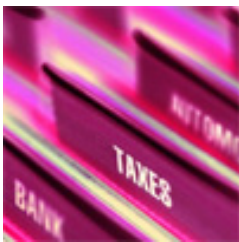
relevant headhunting knowledge and skill-sets.

Typically, it takes five years for a Consultant to accumulate sufficient experience necessary to undertake a complete professional executive search project. A truly competent headhunting firm will have Consultants who are experienced in establishing relevant pools of potential candidates through cold-calling and networking, analyzing candidate's technical capabilities and personality, and most importantly, have the "hunter's instinct" to identify which candidate best fits the job.

For more information on selecting a competent headhunting firm, please email to [sherryxiao@huijiechina.com](mailto:sherryxiao@huijiechina.com).

### Tax Updates

#### 20% Withholding tax from January 2008



Beginning in January 2008, China's new tax law will introduce a dividend withholding tax of 20%. The new tax law does state the possibility of reduction or exemption of the withholding

tax but details will not be available until the release of the implementation rules.

Foreign Invested Enterprises may want to consider imposing a holding company between the China entity and the parent company within a country that has favorable tax treaties with China, leading to an exempt or reduced dividend withholding tax.

For more information about withholding tax, please email to [tim.lamb@jljgroup.com](mailto:tim.lamb@jljgroup.com).

### JLJ News & Events

#### Webinar on China's Dental Industry



JLJ and the US Commerical Service will jointly present the promising opportunities in China at an online webinar on Monday, 19 Nov 07, 7:30pm EST.

[More...](#)

#### JLJ's Gagliole wine featured



The Super Tuscan "Gagliole", a premium wine JLJ successfully introduced into China in 2006, was featured at METRO's Shanghai Wine Humidor Grand Opening.

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#### JLJ to participate in "Toray Cup" Marathon



JLJ Partners, Alessandro Duina and Sherry Xiao, will lead the JLJ team at the 2007 "Toray Cup" Shanghai International Marathon on November 25, 2007. Look out for us...

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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