



*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.

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## China FDI

### The new SAFE regulations



To improve foreign exchange administration of foreign-invested enterprises and to facilitate the handling and verification of foreign currency capital, the State Administration of Foreign Exchange (SAFE) have recently issued a new notice. The new regulations aim to prevent hot money from flooding into China to establish foreign-funded enterprises and to allow regulators to closely monitor and

control foreign capital movement.

The Notice can be summarized as follows:

- Capital verification should be performed on paid-up capital before its conversion into RMB. The total amount of paid-up capital in forex that can be converted into RMB should not exceed the accumulated paid-up capital which has been verified by a local CPA
- Usage of the converted RMB capital should be within the allowable business scope approved by the relevant Chinese authorities. The amount can not be used for equity investment unless specifically prescribed in the relevant regulations
- FIEs are required to provide detailed documentation to support the application for converting forex of over USD 50,000 into RMB. Given stringent documentation requirements, finance personnel should make sure that the valid documents are available to justify the conversion to meet the working capital needs of the company and to achieve efficient cash-flow management
- SAFE will strengthen its supervision on the banks' processing of FIEs' applications for converting paid-up capital into RMB and tighten up its on-going inspections on the usage of such converted RMB capital. Penalty will be levied on FIEs should they be found to have 1) changed the usage of the RMB capital without proper approval or 2) used the RMB capital for repayment of un-used RMB loans

For more information about China SAFE regulations, please email to [salina.leong@jjjgroup.com](mailto:salina.leong@jjjgroup.com)

### Case Study: setting up meetings with potential customers

*From this edition of the JLJ Newsletter our Consulting Division will bring to you a series of case studies taken from recent client work. Names and references will be kept generic to respect full confidentiality of our clients' projects.*

Our client, a leading European service provider for industrial processes, asked us to scan the market for potential customers based in China and set up meetings with them.



There were several key challenges for our team on this project:

- Setting up meetings is in general much more challenging with potential customers than it is with potential suppliers
- The services provided by our client are very technical and the market still quite niche in China, making necessary to be able to do "technical sales calls"
- The target customers were multinational companies with multiple manufacturing locations in China, therefore a difficult sector to break into
- The client also asked their Chinese Joint Venture partner - active in the market for more than 30 years - to set up meetings with potential customers, a potentially very tough benchmark for us to be measured against

Despite the objective challenges of the project, our team was able to set up more than 10 high-quality meetings with potential customers, with more about 75% ending up in follow-up discussions.

At the same time, the client felt the meetings organized by JLJ were far better than the meetings setup by their JV partner, despite their expertise in the industry of more than 30 years. How could this be possible?

The success of this project was based on a combination of "doing the right things" and "doing things right". The JLJ team asked the right questions, well understood client's expectations and desired target from the very beginning, fully leveraged our JLJ-business network to reach key decision makers, and ...worked very hard to achieve project objectives.

For inquires about this article or the work of our consulting division, please email Alessandro at [Alessandro.duina@jljgroup.com](mailto:Alessandro.duina@jljgroup.com)

### Insights to the life of a JLJ headhunter - Kennie Yan...



**I am a true Headhunter...** and I identify, locate & evaluate outstanding candidates for companies who require the best. Companies use me to find new talent to target key positions vacated when existing talent moves up or moves on or when they increase the size of their operations and want to bring in new staff for new jobs.

My job is an adventure as I have to fill positions for companies that originate from many different countries, exposing me therefore to many different cultures. I have to be able to meet new people quickly, listen in detail to what is being said or sometimes, more importantly, to what is not being said and be sensitive to the potential chemistry between people & and the culture inside the company. And of

course, in Shanghai - a city that never sleeps - this has to be done at a speed of light while working on a number of other day to day business assignments at the same time.

One of my greatest assets, besides being creative, is our database of professionals that make a difference in their industries, which has amounted to thousands of key players over the past 13 years. It is a well known fact, that in China, the competition among recruitment companies is increasingly tough - however many of these companies are inexperienced and new to the market and do not yet have effective networking & researching systems in place. And those, among you, who are industry insiders, know that most qualified candidates can not be found on the internet as many of these top-performers do not post their resumes online. This often leaves new recruitment companies with candidates that are actively looking for a job - which is not necessarily the best route to find quality talent.

For more information on China recruitment, please email our industry experts at [info@jljgroup.com](mailto:info@jljgroup.com)

### China's new Real Estate Tax Policy



The ministry of Finance and the State Administration of Taxation recently issued the Notice "Adjusting the Tax Policies for Real Estate Transactions (Caishui [2008] No.137)", which aims to reduce the tax burden on individuals engaging in real estate transactions and encourages residents to purchase their first home.

Due to increased residential housing prices in major and medium-sized cities in China and high taxes and down payment requirements, residents have remained cautious and reluctant to buy houses over the past 2 years. Multiple local governments have already initiated policies to support their local real estate market and the stable development of the cities.

The new Notice addresses these issues by making adjustments to the following taxes:

- Deed tax, which applies to first-time purchasers of residential housing not exceeding 90 square meters is now temporarily reduced to 1%
- Individual home sellers are temporarily exempted from Stamp Duty
- Individual home sellers are temporarily exempted from Land Appreciation Duty

The notice took effect on November 1st, 2008.

For more information, please email to [kevin.wang@jljgroup.com](mailto:kevin.wang@jljgroup.com)

### Coming up! - Shanghai International Marathon 2008

30th Nov, 2008



Please join us at the Shanghai International Marathon 2008, this coming Sunday, November the 30th. **Alessandro Duina**, who has already successfully completed the 2008 Beijing International Marathon will lead the Shanghai based JLJ team.

#### ***The JLJ team will gather at:***

Add: Nanjing East Road / Tibet Road (meet on Nanjing East Road, 南京东路西藏中路口)



Time: between 6:15am and 6:30am

### 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](mailto:info@jljgroup.com) or find out more about our services at [www.jljgroup.com](http://www.jljgroup.com).

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