



*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

Outsourcing in China



Outsourcing is the practice of contracting with another company to provide services that might otherwise be performed by in-house employees. There are many reasons why companies outsource jobs, but one of the key reasons seems to be the fact that it saves money. Retained companies that provide outsourcing services are able to do the work for considerably less money, while at the same time it allows companies to focus on their core business and give larger attention to more important and broader issues within the company.

While in China, it is not too long ago, that the concept, of handing over the responsibility for a business function, was unthinkable, the outsourcing industry and especially China's IT outsourcing Industry - often mentioned in the same breath as India's these days - has experienced significant growth over the past few years. Although, largely driven by IT, there are 3 other sectors which have contributed to the rapid growth in China's outsourcing industry:

- Financial services - financial accounting, consulting, human resources, asset management, project management, business intelligence services etc
- Trading - supply chain management, logistics, procurement etc
- Designing - advertisement, architecture, landscape, fashion etc

There are several key drivers for China's outsourcing market growth - one of them is the recent changes in tax rates allowing now for significant tax benefits in some areas for the above mentioned sectors.

For more information, please email to salina.leong@jljgroup.com.

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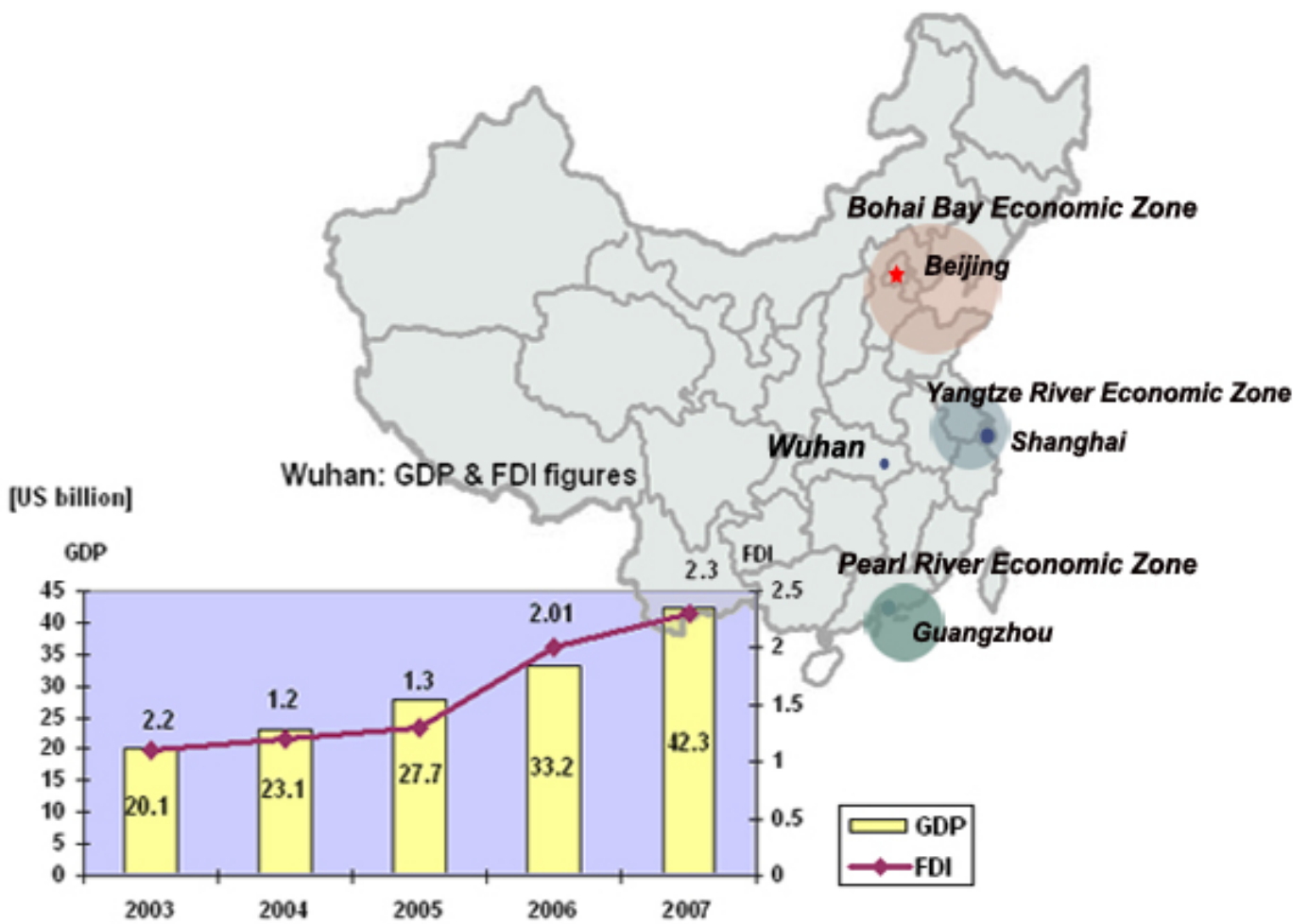
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Tier 2 Cities Series: Wuhan

Wuhan, the capital of Hubei province, is located mid-way between Shanghai and Chongqing. The city is known as the "Detroit of China" and is easily the most important city in the middle stretches of the Yangtze River. With an urban population of more than 8.3 million people, Wuhan is one of the largest cities in Central China.

Wuhan has a large concentration of universities and research centers, but it is the heavy industry that dominates the city's economy. The city is especially noted for production of steel and vehicles and accommodates a number of rapidly growing international auto manufacturers and suppliers. Both Peugeot-Citroen and Honda have formed JVs with Wuhan' Dongfeng Auto, one of the top five Chinese OEMs. Wuhan Steel is one of the biggest producers of iron and steel and has been upgrading and expanding production with the assistance from foreign companies such as Siemens or Alstom.



Source: National bureau of statistics , JIJ analysis

Over the past few years, Wuhan municipal government has invested huge sums in the infrastructure of the city to successfully attract foreign investment. Wuhan has also drawn many companies due to its significantly lower property and labor costs and due to its central location.

In 2007, FDI amounted to US \$2.3 billion, an increase of about 14% from the year before. The GDP of Wuhan amounted to US \$42.3 billion and GDP per capita was at about US \$5,096 in 2007.

For more information about Wuhan or any specific industries, please view JLJ's Industry Reports [here](#) or email to teyin.chung@jljgroup.com.

Tax Updates

Shanghai's New Invoice System

As of August 1, 2008 the national tax department has introduced a new invoice ("fa piao") system for business tax collection purposes in Shanghai. "fa piao" is the generic term for an invoice and is provided by businesses to consumers for the amount of services and goods rendered - essentially the system for Chinese tax authorities to calculate and collect taxes. Up until now, the burden for collecting "fa piao" invoices has mostly rested with the consumer, that is, if the consumer does not request any invoice and the business does not offer them, the government has no method for accurately calculating business taxes.



The new system on the other hand, will require businesses to purchase machines which will be used to print invoices, accurately stating the amount. The types of machines used will differ by industry and depend on the types of invoices the company is required to supply.

With the new system in place, the government aims to curb corruption and underreporting of business tax by companies in Shanghai and hopes to have all measures in place by the end of 2009.

For more information about the new invoice system please email to kevin.wang@jljgroup.com.

Why Use Executive Recruiters



Finding the best candidates for senior management and leadership positions is a challenging task no matter where you are located in this world - however it is an even more challenging task in China. Often, the best candidates are usually very contended in their current positions. They are often very successful in their career and in many cases do not proactively seek for new

employment. In fact, many of these candidates do not post their resumes on the internet or respond to classifieds - they are too occupied with the current opportunities and challenges faced in their job.

This is where executive recruiters come into place. Their goal is not just to identify candidates but to identify the best possible candidates obtainable in the market place.

To meet these goals, an executive recruiter needs to have the right processes, research departments and methodology to identify and recruit such candidates. As a result, retained executive recruiters have access to a pool of management talent that is inaccessible by most other means.

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

2008 Beijing and Shanghai Marathons



Succeeding in doing business in China, is a bit like running a marathon: a lot has to do with developing the right strategy, doing the proper preparation, setting realistic objectives, staying on course and... never give up.

JLJ will participate in the **2008 Beijing and Shanghai**

marathons - JLJ Partner, Alessandro Duina, will again lead the JLJ team this year at the 2008 Beijing (Oct 19th) **AND** Shanghai (Nov 30th) marathons. Please join him at the 21 km half-marathon race or join the rest of the JLJ team at the 4.2 km (BJ)/ 4.5 km (SH) health race in Beijing and/or Shanghai.

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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