

China Business News in Brief

Urban Average Salaries Rise 18 Per Cent

New figures released by the National Bureau of Statistics reveal that average annual wages grew by more than 18 per cent last year, the fastest rate of growth since 2001. The mean annual wage for a Chinese employee working in a city grew by 18.72 per cent last year, to RMB24,932. China Salaries in state-protected industries, such as securities, banking and aviation, reached an average level of more than RMB100,000 in 2007.

Half of Chinese Cotton Textile Firms Face Closure

China's cotton textile firms are feeling the pressure of rising costs and the appreciating RMB, according to an industry survey that shows almost half of surveyed firms are considering closing down. More than 44 per cent said they would start selling their products locally, instead of exporting them, in order to maintain a higher profit margin.

China Launches Olympic Lottery

Despite an official ban on gambling in the mainland, China will launch an

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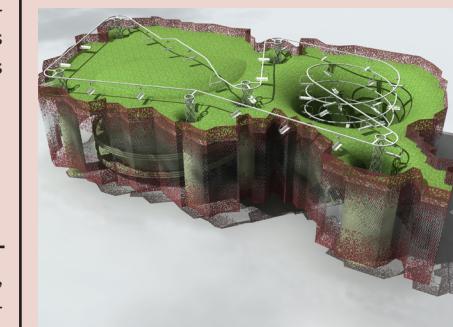
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Swiss Pavilion at 2010 World Expo - Shanghai

Olympic-themed lottery with prizes of up to RMB5m. Though gambling was banned in 1949, and is only permitted in Macau, while betting on horse racing is also permitted in Hong Kong, state-run sports lotteries have become popular on the mainland since the 1980s. Now, a new Olympic lottery will feature five gambling options, covering all 28 sports in the Beijing Olympics, with tickets priced from RMB 3 to 10.



The Swiss Pavilion created by architects Buchner & Bruendler, with "Sustainability-quality of life, environment and international reputation" as its theme, considers harmony achievable only when the world finds balance. Their idea is based on meeting the needs and expectations of visitors who can be partitioned into two groups, VIPs and general public. And their aim is to strike a balance between these groups who will view the Swiss Pavilion with very different perspectives.

The "city space" sheathed in a dense shadow, caters to a high volume of visitors with a multifunctional stage can be used in a variety of ways. The meadow landscape (nature space) at the entrance of the pavilion is constantly in motion, as a consequence of the Swiss invention, the chair lift, which transports 3500 visitors through this space. The cinema, also catering to general visitors, exhibits striking images of Swiss landscapes. Finally the VIP room is exclusive to preferred individuals and opinion-leaders, who wishes to know more about Switzerland as a country.



CBC CHINA NEWS

June 2008
Volume 1 Issue 1



Bird's Nest



Labour Law



Expo 2010

Legal News in Brief

Unified Corporate Tax

10% Withholding Tax on Dividends

A proposal to unify the rate of corporate tax paid by domestic and foreign-owned companies doing business in China has become a reality. On January 1, 2008, the law unified corporate tax at a rate of 25 percent. While this means a tax cut for local companies, foreign-owned enterprises are likely to see their tax bill increase. Gone are the days when overseas companies enjoyed a two-year tax vacation and Chinese companies paid 33 percent tax on their profits.



This has been a contentious matter as previously foreign investors were exempt from withholding tax under the FEIT rule. Industry professionals along with other government bodies have requested that the government grant special concession to waive withholding tax arising from pre-2008 retained earnings. Chinese authorities have accepted the request.



Impact of China's New Labour Law

In the 1980s, China was still counting the number of employees you needed to be a capitalist (the answer was eight). By the 1990s, the labour contract system heralded the end of the 'iron rice bowl' and the balance between employer and employee rights was struck in the Labour Law, which came into effect in 1995. Now all this is about to change.

On 29 June 2007, the Standing Committee of the PRC National People's Congress adopted the PRC Labour Contract Law. The Labour Contract Law came into effect on 1 January 2008, and will restate, supplement and make many sweeping changes to Chinese employment law.

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The Impact of China's New Labour Law

On June 29, 2007 the Standing Committee of the National People's Congress (SCNPC) passed the PRC Labour Contract, which has taken effect on January 1, 2008. The new Labour Contract Law (LCL) is the result of year long drafting debates and discussions, with the input of almost 200,000 migrant workers as well as thousands of "normal" workers, which will reaffirm, improve and change the way in which Chinese and foreign employers do business in China.

What does this mean for foreign enterprises?

Undoubtedly the new law is aimed at calling a halt to unfair labour practices in China, which most foreign enterprises do not really exercise, and do away with the ambiguities which have in the past been much too kind to employers. With this, comes the increased power of labour unions, which the new law predicts will result in a three-way liaison between the employer, the labour union and the employee, who will consult with each other on the key issues of the labour contract. However, it does not clearly outline how far that power extends and with ever more unionized multinationals, union intervention in employee matters may be difficult to manage.

But this is not the only troubling aspect for foreign employers. The accidental upshot of the new law will be an increase in the cost of doing business in



In The News

New Labour Law: Is China Losing its Price Advantage?

A new report by the American Chamber of Commerce Shanghai and Booz Allen Hamilton reveals that half of all surveyed manufacturers believe China is losing its competitive edge to Vietnam and India.

54 per cent of surveyed companies say that China's competitiveness is waning. A majority thinks rising wage costs and the appreciated Chinese currency are major factors. 17 per cent of the surveyed firms are considering leaving China either for Vietnam or for India where costs are lower than in some parts of China.

• Labour contracts must be in writing and failure to sign a contract after one month of the start date, will result in payment of double salary and after a year will result in permanent employment

• While non-compete agreements are recognized, non-compete period is reduced from three years to two years, and compensation for the non-compete period must be paid monthly after termination

• Company rules and regulations are not binding unless negotiated and agreed by the labour union

• Permanent employment becomes a right after two fixed-term contracts have been served

• Liquidated damages payable under training agreements cannot exceed the training costs prorated over the period of service after training

• Liquidated damages for breach of contract are invalid (except for training contracts)

It will become vital for multinationals to re-examine their human resources capacity and select staff to manage the company's relationship with labour unions and its staff. All companies operating in China should be aware of the new law and ensure that their current labour contracts are in step with it.

Sit Down

Siegfried Zhiqiang Wu Interview Summary

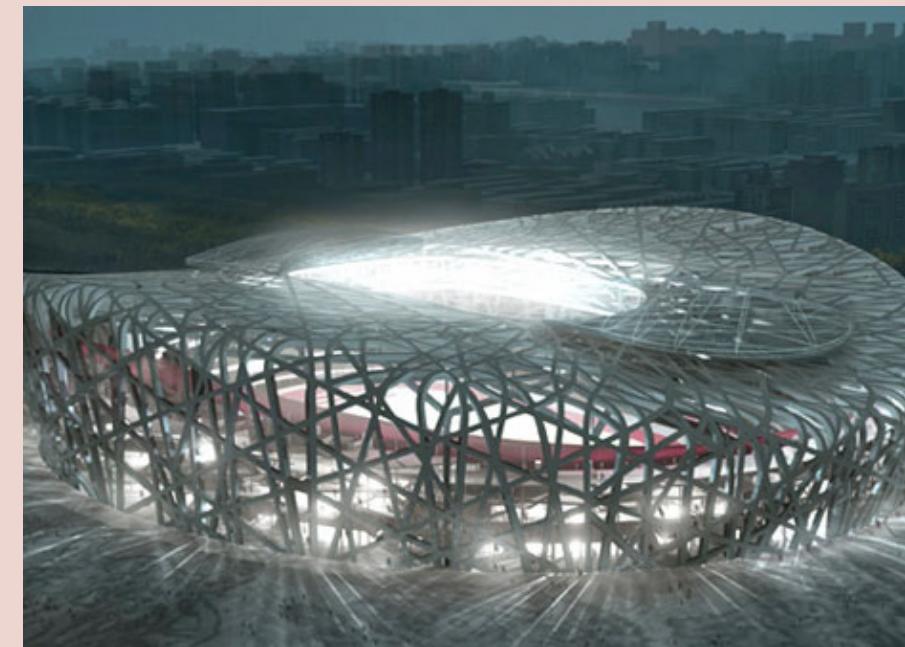
Siegfried Zhiqiang Wu, Professor of architecture and urban planning at Tongji University, talks about his work, expectations and impact of the World Expo 2010 in Shanghai.

As Chief Planner, much of his time is spent conversing with architects regarding the construction and design of new buildings. He reveals that another part of this immense task, is advising other nations about the best course to take, to fit into China's concept.

When asked about what the impact of such an event will have on the country, he answers that it is an opportunity to put a signal towards a more open society and world in which Chinese people will get to know the world better. High on his agenda is energy efficient architecture, which he says is not just the topic of the various expositions but that they are applying the newest technology for the expo buildings to reduce energy consumption.

A 10 percent foreign attendance is expected at the event and he believes that Shanghai is ready. He discloses that Shanghai should take a long-term approach to investment instead of a short-term approach for Expo purposes only. He adds that the city's infrastructure could use further investment and that incentives for using public transport such as the metro should be created, in an effort to reduce traffic problems.

While he disclosed that the pavilion will be impressive, his lips are sealed as to what highlights of the event will be. "I can't say too much about that, but I can assure you, we are working very hard on a festival of highlights."



The Bird's Nest: The Swiss Contribution for the Olympics

Encased in twisted steel, with a seating capacity of 91,000, is a 70-metre tall structure now considered the iconic centerpiece for the Beijing Olympic Games. China's national stadium, the phenomenon fondly dubbed by Chinese as the "Bird's Nest," is an architectural manifestation of the country's pride and growing confidence.

The Bird's Nest which ranked first out of the top three proposals, did not undermine the importance of realism thus the stadium was designed to offer onlookers the best balance of distance and clear view.

Famed Swiss architects Jacques Herzog and Pierre de Meuron have designed a stadium which many believes to portray what China wants it to portray to the world, a strong nation with the determination to succeed at this event.

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