

Opportunities in China's Growing Online Industry

The online industry in China has been growing at an extraordinary high pace in the past years and it has become an industry of great interest for both domestic and foreign companies. In this month's issue of the NCO Newsletter we will take a closer look at parts of this industry and which opportunities and challenges it poses for foreign businesses operating in China.

The online industry in China consists of many different markets from the gaming industry to software production and various kinds of communication media. This article will primarily focus on the opportunities and challenges that exist for foreign companies when engaging in communicating with Chinese consumers and other interest groups via media such as online blogging and social networks.

Development of the Chinese online market

A myriad of online communication channels are available in China, just as in any developed country, and they have become tremendously popular in the past two years and with more than 450 million internet users China is the country in the world with the largest internet population. As an indirect consequence of this, more and more international companies, be it SMEs or MNCs, are implementing strategies to leverage the



NCO Seminar

“Corporate Fraud Prevention and Detection Strategies”

NCO China (Shanghai) would like to invite you for a seminar on internal control on May 26, 2011.

Time and place:
9am, Thursday May 26, 2011
Suite 905, Aviation Centre, 1600
Nanjing Xi Lu, Shanghai

Cost:
Free

Speaker:
Mr. Patrick Ho
CPA, MBA
General Manager – NCO
Shanghai

For sign-up and more
information, please contact:
Peter Neve – Business
Development manager
perterneve@ncochina.com

internet to reach their Chinese target groups online.

In November 2010, Sina Weibo claimed the leadership in the Chinese micro-blogging market with 50 million registered users, however, that number has since then doubled to 100 million users showing an incredible development within this market. In 2010 there were more than 220 million blogs, 100 million+ bulletin board system (BBS) and 200 million+ social network users of which more than 50 percent are regular users and have multiple accounts. It is expected that the number of social network users will reach almost 500 million before 2015, as the popularity of the media continue to increase.

The demographics of internet users in China are similar to their western peers although there are some characteristics distinctive to the Chinese market. Approximately 2/3 of Chinese internet users are aged 30 or less while students form the largest segment of users with 25 percent. Individuals enthusiastically use social media to communicate with friends, family and other forums about experiences with brands, products and various services they have bought from companies, thus influencing the opinion of their online network towards these brands and products. The popularity of online gaming, uniquely, in China, more lucrative than online advertising, attests to the Chinese netizens' demand for entertainment. One evident example of success within the mobile software business is Finnish based Rovio Mobile and their wildly popular Angry Birds originally developed for mobile units. Currently there are around 20 million Angry Bird players in China; however, that number is expected to rise to 100 million as a Chinese edition of the game will be launched this year.

or

David Nunez – Business
Development manager
davidnunez@ncochina.com



NCO Update

Finland – Hong Kong Trade Association Seminar

Johanna Heikkinen, Fortune Falls, will give a presentation on Foreign Invested Partnerships and the provided opportunities in Mainland China at a seminar organized by the Finland – Hong Kong Trade Association in Helsinki on Friday, May 6.

Johanna Heikkinen is NCO's country representative in Finland and a board member of the Finland – Hong Kong Trade Association.

For more information, in Finnish, please click here
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or contact

Johanna Heikkinen – Fortune
Falls
NCO Finland Country
Representative
johanna.heikkinen@fortunefalls.fi



Localizing the online strategy

Micro-blogging is no longer only a platform for self-expression, gossip and networking. It has become an increasingly fierce battlefield for businesses who seek to promote their products and services while at the same time being a place where businesses can get to know their target groups even better and get 'real-time' information on what consumers want.

An obvious challenge for foreign managers is the Chinese written language, as most platforms are setup in Chinese. Furthermore, chatter around brand names, products etc. can sometimes take place using popular nicknames instead of the real names making conversations even harder to track.

Another challenge is to offer something else than simply advertisements. Studies have shown that Chinese online users, like many Western, dislike advertisements unless the content offers something meaningful and entertaining. The Chinese online market has some characteristics that differ from other online markets but it is no less sophisticated. Online advertisement campaigns executed by Chinese companies in late 2010, combining user interaction, creativeness and competitions, have proven very successful in engaging a large number of potential consumers and later spurring into viral campaigns.



ChinaBiz Blog

China to put a Damper on the Wind Energy Market

The Chinese wind energy market has developed at an extraordinary fast pace during the past several years. Strongly encouraged by government backed investments and favorable policies towards private investments China is now world leader in installed wind power generating capacity.

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Increasing Demand for Foreign Dairy Products

The global demand for dairy products is set to heavily increase during the next decade due to growing populations, increasing incomes and surging consumption in developing countries led by China and India. The demand for dairy products in China alone is estimated to almost triple in value, to \$71 billion, by 2020.

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China to Plug Loopholes with Taxes from High-incomes

The State Administration of



It is essential that companies implement an online strategy in order to get a better grasp of their target markets' online behavior, this is especially important for companies selling business-to-consumer products as Chinese youth are driving China's shift from investment-led growth to consumer-led growth. For foreign companies selling services or business-to-business products, the opportunities are just as many. SMEs can tap into the online market and increase their competitiveness in ways including, but not limited to, the following:

- Online marketing through participation in blog posts, social media and BBS can show a company's online presence and help form opinions about its products or services. This can be crucial in the overall Chinese marketing strategy as many Chinese consumers put a strong emphasis on referrals from personal networks and other consumers who have had experiences with a given product.
- Online sales campaigns can also be executed, however, as mentioned earlier these should be creative and offer real content otherwise they can do more damage than good. The value of the online shopping market in China doubled from 2009 to 2010 reaching almost RMB 500 billion. This number is expected to quadruple in value reaching an estimated value of RMB 2000 billion in 2014, as Chinese online consumers, much more than in other markets, is looking to be entertained.
- The online market can also be utilized with

Taxation has made an announcement that the government will generate more revenue by strengthening taxation management on high-income earners and covering loopholes in the existing system.

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Contact NCO

Enquiries

If you have questions or would like a meeting regarding corporate structure, accounting standards, internal controls or tax reporting systems etc. please feel free to contact us at enquiry@ncochina.com

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Reminder

Annual Examinations

The deadline for the 2010 annual examinations required by the tax

regards to HR strategies and CV database building for possible employees. As people research a company's history, products, brands etc. it shows that they have an interest in the given company.

The importance and emphasis consumers put on personal referrals, friends' opinions and other word-of-mouth information about companies, products, brands etc. is unique in China, therefore companies need to have a proactive online strategy that cater to the needs of their target markets. Gathering consumer feedback and responding to both negative and positive opinions can impact the operations and affect bottom-lines.

bureau and financial bureau is coming up at the end of this month.

If you have any questions concerning the annual examinations, please contact:
Ms. Ida Li
(ACCA/CICPA/CAO/HKICPA),
General Manager of NCO Beijing
Accounting Services at:
idal@ncochina.com

Q&A – Taxes in China

Q: When should taxes be reported and paid?

A:The tax year in China ends on 31 December of a calendar year. If an enterprise commences business or terminates its business activities during the taxable year, and the actual business period of such taxable year is less than 12 months, the actual business period shall be treated as the taxable year.

It is compulsory to file a report and pay advances monthly or quarterly. Enterprises shall submit a prepaid tax return to the competent tax authority within 15 days of the end of the month, or the quarter, as the basis for tax prepayment.

Enterprises shall submit an annual tax return to the competent tax authority within **five months** of the end of the year and settle the payable and refundable tax payment. A financial report and other relevant

information shall be attached to the tax return.

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Hello

Our mailing address is:

NCO China

No.1, 3/F Tayuan Diplomatic Office Building, No.14,

Liangmahe Nanlu

Chao Yang District

Beijing, Beijing 100600



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