

2014

Introduction to the

Chinese Games Market

Opportunities in this expanding market: a broader perspective

# Foreword



There is no doubt that China has deservedly earned its reputation as a dynamic, large and fast growing games market. It has become an important constituent of the global games industry and what happens in China is increasingly relevant to many executives outside of China. However, the Chinese games market is in many respects very different from other markets, in particular the main Western ones. To understand the Chinese games market it helps to have a basic understanding of the broader cultural, economic and technological context.

At Newzoo we have always promoted a global perspective on the games market. In 2010, we started covering the Chinese market and completed our first large proprietary primary consumer survey in 2011. We since have developed extensive knowledge of the Chinese market and its main players, allowing us to assist our clients with access to, and interpretation of, data on the Chinese games market. At the same time we assist many Chinese companies in assessing the business opportunities in Western markets.

Based on discussions with our clients, we realised that many US and European executives lacked insight into the broader Chinese market context. By publishing this high level report, mostly based on public data, we hope to offer our Western clients a good first step in becoming more familiar with the Chinese market.

This report covers some basic information on demographics, politics and cultural context, as well as brief descriptions of the media, entertainment, telecoms and internet sectors. It also contains short profiles of the key local players in these sectors, including the leading local AppStores, Search Engines and Social Networks.

In the second part of this report, we describe the games market in more detail, incorporating data from the recently released official China Game Publishers Association Publications Committee report, our own research findings as well as some third party data.

We also provide brief profiles of the key public and private game companies, some of the most popular client games and the key game media companies that offer news and information about games and the games market.

We hope you find this report useful and if you have any questions, or spot any inconsistencies, please contact the authors below.



**Thijs Hagoort**  
Co-founder  
thijs@newzoo.com



**Huijun Shi**  
Research Analyst  
huijun@newzoo.com

“The Newzoo Chinese Games Market introduction provides a good basis for understanding the rapidly evolving Chinese game industry. We believe that Western game companies seeking to enter the China market need an experienced partner that not only understands local China market practices and users, but is passionate about their games. The China market is equally challenging and rewarding for those companies who seek to dedicate their development teams to truly understand the differences and commonalities of Chinese gamers.”

**Jay Chang, CFO KongZhong**

“The fragmented Chinese mobile games market requires a very different approach than in the West when it comes to marketing. It can be very successful, you just need to know the social channels used by the Chinese consumers of today and how you can use them to promote and distribute your game. At Zenna, this is our daily business”.

**Inna Zaichenko, CEO Zenna Apps**

“The Financial Times of February 17, 2014, quoted Mrs Annie Xu, US General Manager of Alibaba, the giant Chinese ecommerce group, saying “Chinese consumers are crazy about anything not made in China....this is still a huge opportunity”. When it comes to games a huge paradox arises. As this report will point out, big Western game IP is hugely popular despite the enormous variety and high quality of locally developed games. At the same time, Western games that are hacked and localized by amateurs are played by tens of millions of Chinese but don't bring in any money for the publishers. Ultimately because there is a mismatch of business models between the West and Asia.”

**Peter Warman, CEO Newzoo**

# Table of Content

## Introduction to the Chinese Games Market

### Part 1

<b>Introduction</b>	06
<b>Demographics</b>	07
<b>Economy</b>	08
<b>Chinese Calendar</b>	09
<b>Media &amp; Entertainment</b>	10
<b>Internet Access</b>	11
<b>Online Video</b>	12
<b>Social Networks</b>	13
<b>Microblogs</b>	14
<b>Mobile Telecoms Market</b>	15
<b>Mobile Handset, Tablets &amp; PC</b>	16
<b>App Stores</b>	17
<b>Major Android AppStores</b>	18

### Part 2

<b>Chinese Games Market</b>	20
<b>Game Market Revenues</b>	21
<b>Online Client Games</b>	22
<b>Popular Client Games 2013</b>	23
<b>Mobile Games</b>	24-25
<b>Web Games</b>	26
<b>Domestic &amp; Western PC Games</b>	27
<b>Game Consoles</b>	28
<b>Steam in China</b>	29
<b>Newzoo China Research</b>	30-31

### Appendices

<b>Appendices</b>	32
<b>Public Game Companies</b>	33-35
<b>Private Game Companies</b>	36-39
<b>Key Game Media Sites</b>	40
<b>Internet Search Engines</b>	41
<b>Handset Manufactures</b>	42



# 1. Introduction



# Introduction

## People's Republic of China

China is the world's second largest country by land area, covering 9.6 million square kilometers. Lying on the west coast of the Pacific Ocean, China enjoys a very diverse landscape, extending across six climate zones.

The establishment of the People's Republic of China ("PRC") was announced by Communist Party Chairman Mao Zedong in 1949 after the Chinese Civil War ended with the Communist Party in control of mainland China and the Kuomintang fleeing to Taiwan.

China has since been a single-party state governed by the Communist Party. The primary organs of state power are the National People's Congress (NPC), the President and the State Council. The President is also the Secretary General of the Communist Party. The NPC is under direct control of the Communist Party.

The NPC is the highest state body and the only legislative house in the PRC. It meets annually for about two weeks to review and approve major new policies, laws, the budget and key personnel appointments. The President and Vice-President are elected by NPC every five years. The current 7<sup>th</sup> president is Xi Jinping who succeeded Hu Jintao in 2013. The State Council is the highest executive branch of the PRC and is appointed by NPC. There are about 50 members in the Council, including the Premier and 4 Vice-Premiers.

## Territorial Structure

In terms of territorial structure, China is divided into 23 provinces, 5 autonomous regions, 4 direct-controlled municipalities and 2 self-governing special administrative regions. Though the PRC claims Taiwan as its 23<sup>rd</sup> province, Taiwan is formally part of a (semi-) sovereign state, the Republic of China.

Provinces	The highest-level Chinese administrative division. Every province has a Communist Party of China provincial committee, which is in charge of the province.
Autonomous Regions	Inner Mongolia, Guangxi, Tibet, Ningxia and Xinjiang are regions with a relatively high minority population. Like provinces, they have their own local government, but more legislative rights.
Municipalities	Beijing, Shanghai, Chongqing and Tianjin are very large cities directly-controlled by the central government.
Special Administrative Regions	Hong Kong and Macau are regions that do not form part of mainland China and enjoy a degree of political autonomy, whilst part of PRC.



# Demographics

## Population

According to the latest census by the National Bureau of Statistics, the population of mainland China was 1.347 billion on the 31st December of 2011. This makes China the most populous country in the world, expected to be surpassed by India in 2050.

The growth rate of the population has been limited by the One Child policy that was introduced in 1979 in order to alleviate social, economic, and environmental problems resulting from rapid population growth. It is estimated that the policy averted 200 million births (1). The population is expected to decline after 2030.

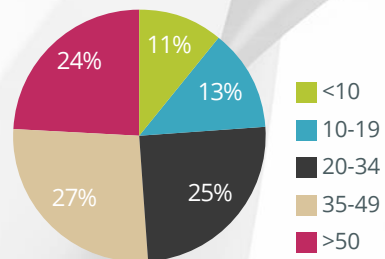
## Ethnics and Language

The population is made up of Han Chinese (91.5%) and 55 different minorities (8.5%). In total, China has about 80 types of languages and 30 different kinds of scripts. Putonghua (Mandarin), based on the Beijing dialect, is the official language of China, which is also the common language of the Han ethnic group. The Han also have diverse dialects such as Yue (Cantonese) and Wu (Shanghainese), which are widely spoken in several regions. The minorities communicate verbally mostly in their own language or dialect.

## Ageing

According to a UN report, the share of the population aged 60 and over will rise from 13.8% in 2013 to 32.8% in 2050, compared to 27% in US (2). China's low birth rate, combined with the aging population, poses a demographic challenge.

## Age Breakdown of Chinese Population (2011)

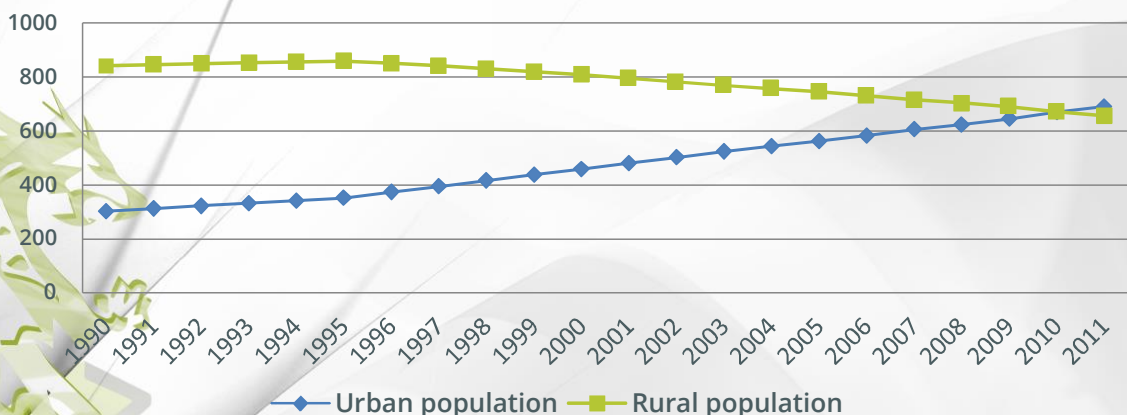


Source: National Bureau of Statistics of China

## Urbanization

China is rapidly urbanizing: over half of all Chinese now live in urban areas (see graph below). The most populous cities are coastal cities in the east of China. In 2011 there were 127 cities with a population of more than 1 million inhabitants and 14 cities with more than 4 million. According to some predictions, 70% of Chinese will live in urban areas by 2035 compared to about 80% currently in the US.

## Urban and Rural Population (in M)



1. Wang Feng, director of Brookings-Tsinghua Center for Public Policy, paper published in 2011 and reported in Boston Globe ([www.boston.com](http://www.boston.com)) in October 27, 2011.  
2. UN World Population Report, The 2012 Revision. Published 13 June 2013.

# Economy

## Economy

China was a Soviet-style centrally planned economy from its founding until 1978, when the Communist Party started implementing reforms aimed at developing a more market-oriented economy. According to IMF, China is the world's fastest growing major economy, with an average growth rate of 10% over the past 30 years.

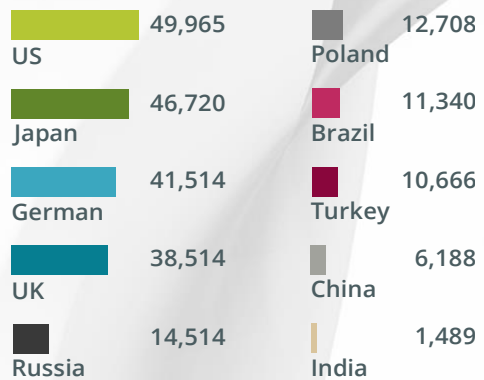
## Development Milestones

- 1978** Communist Party launches market reforms backed by Deng Xiaoping;
- 1980** Shenzhen is made the first "special economic zone" to experiment with more flexible market policies;
- 2001** China enters the WTO;
- 2005** China becomes the world's fourth-largest economy and loosens the yuan from a strict dollar peg;
- 2010** China overtakes Japan as the world's second biggest economy;
- 2012** China overtakes US as the world's biggest trading nation.

## GDP

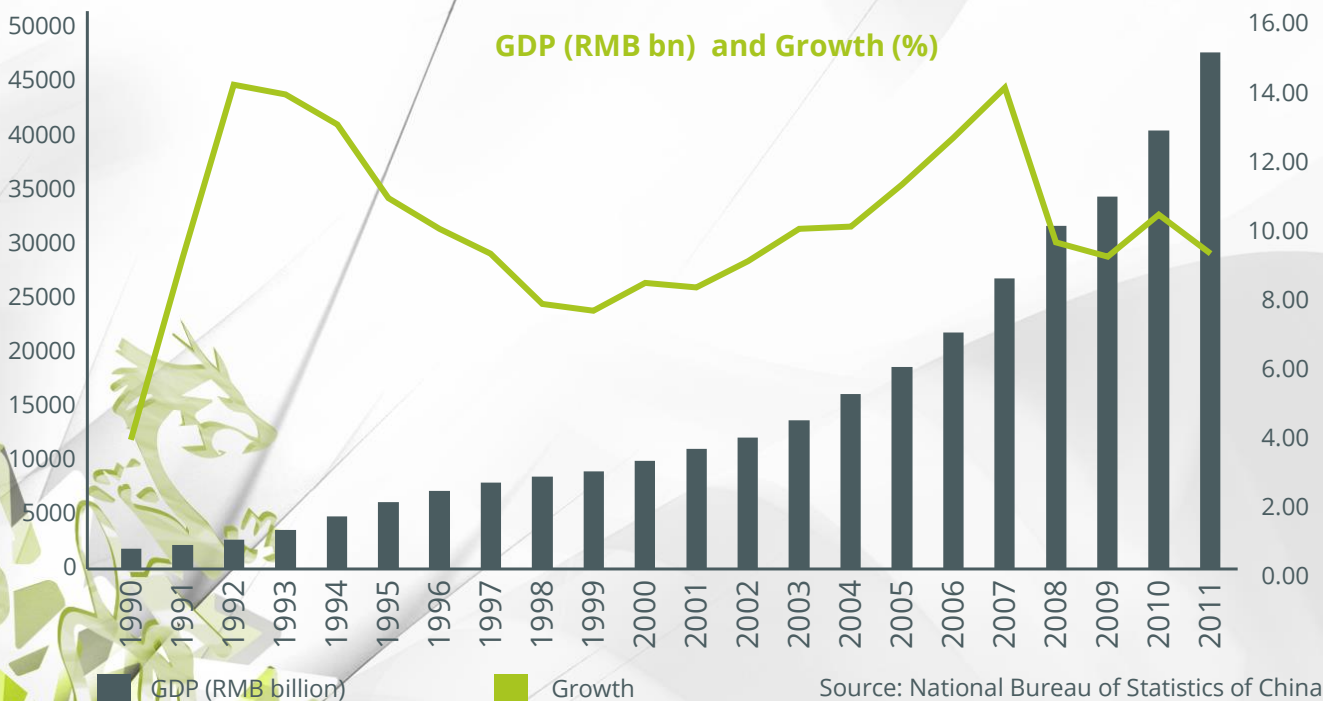
As a country, China ranks number two in the world by nominal GDP and by PPP (purchasing power parity), after the US. However, on a per capita income basis, China ranked only 87th by nominal GDP and 92nd by PPP in 2012.

## GDP Per Capita (\$)



Source: World Bank, GDP per capita data tables.

China's per capita income is increasing quickly and has the highest growth of consumption in the world, whether measured only by household consumption or including government consumption<sup>(3)</sup>.

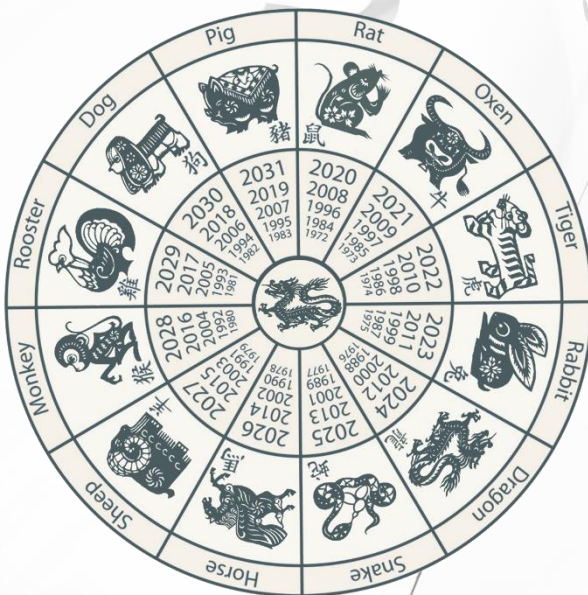




# Chinese Calendar

## Chinese Calendar

The Chinese use two kinds of calendars: the official calendar and the civil calendar. The Official, Gregorian (or Western) Calendar is a solar calendar and is used for public and business affairs. The Civil, Han Calendar is a lunisolar calendar, which indicates both the moon phases and the solar terms and is used for festivals and other events with special meanings such as wedding dates.



The animal year when a person was born is called the person's Benming Nian (year of birth). Therefore, in every twelve year cycle, people will meet their birth sign. According to Chinese tradition, people risk offending 'Taisui' in their Benming Nian, which is a celestial body that decides your fortune. To avoid bad fortune, people often wear red cloth at the beginning of their Benming Nian.



## Chinese New Year

Chinese New Year, also known as Spring Festival, is the most important and longest traditional holiday for the Chinese. The celebration lasts about 15 days from Chinese New Year's Eve, the last day of the last month of the lunisolar calendar, to the Lantern Festival on the 15<sup>th</sup> day of the first month.



Though there are diverse customs and traditions in celebrating Chinese New Year in different regions of China, generally New Year's Eve is an occasion for Chinese families to gather for the annual reunion dinner. Other traditions include hanging red couplets (banners) on the doorposts and giving money in red envelopes to children.

## Singles Day

November 11<sup>th</sup> is China's Singles Day (literally 'bare stick holiday'), because the date is written as 11.11. It was first celebrated by students at some Chinese universities during the 1990s, who then carried the tradition on after graduation. In recent years it has become an ecommerce extravaganza, with millions of singles in China celebrating by shopping online and partying.

# Media & Entertainment



## Media & Entertainment

The Chinese media and entertainment industry has seen rapid growth in the past decade. This is fuelled by economic growth, technological innovation and evolving consumer behavior, as well as urbanization, the rise of a large affluent middle class and heavy investment in the internet and mobile infrastructure.

As a result, the overall media and entertainment industry is forecast to grow from US\$ 59.4 billion in 2010 to an estimated US\$ 137.9 billion in 2015. This represents a CAGR of 17%, a significantly higher growth rate than China's GDP<sup>(4)</sup>.

## Film

In 2012, film box office revenues reached 17 billion RMB, with an average annual growth rate of 34% from 2002 to 2012<sup>(5)</sup>. As a result, China has replaced Japan as the world's second largest film theatre market after North America.

In terms of content, 893 films were produced in 2012, making China the third biggest film producer in the world. India is the world's largest producer with 1,300 films each year and the US ranks second.

In terms of cinema venues, 3,832 new screens were added in China in 2012, more than 10 per day. By the end of 2012, the overall number of screens reached 13,118, compared to 39,662 in the US<sup>(6)</sup>. The biggest operator of cinema venues is Chinese conglomerate Dalian Wanda, whose Chairman was China's richest person in 2013 according to Forbes Magazine.

## Home Entertainment

The home entertainment industry is relatively small compared with other countries. Retail sales and rental of physical media such as DVDs, Blu-ray discs and VCDs, accounted for only 0.4% of direct revenue in 2011. In comparison, this was 13.2% in Australia, 12.4% in the UK and 4.8% in Japan<sup>(7)</sup>.

## Radio and TV

By 2012, Radio and Television reached 97.5% and 98.2% of the population respectively. TV stations in China broadcast on a national, provincial or local level. There are 34 provincial level broadcasters and more than 200 city-level TV stations<sup>(4)</sup>. State-owned CCTV is the national broadcaster with the widest reach.

## Countries with the Most Internet Users



## Internet Penetration

By the end of June 2013, the number of internet users in China had reached 591 million, an increase of almost 27 million compared to the end of 2012. The internet penetration rate was 44.1%, an increase of 2.0% compared with the end of 2012. In rural areas the internet penetration was only 28%, reaching 165 million people. The average amount of time spent online in 2012 was 20.5 hours per week<sup>(7)</sup>.

4. Ernst & Young, "Spot on China" 2012.

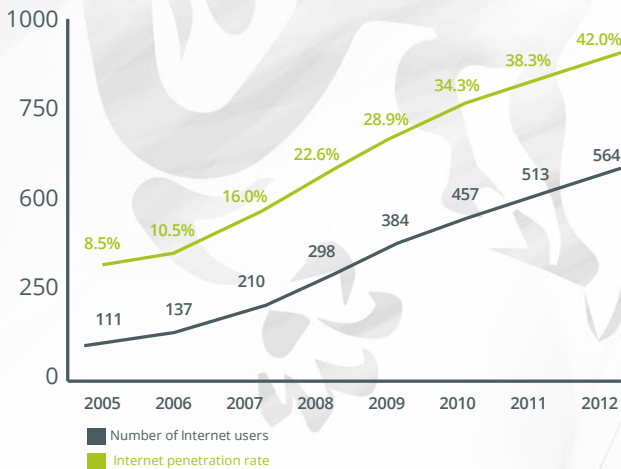
5. State Administration of Radio, Film and Television, The Development Report on Radio, Film and Television in China, 2013.

6. National Association of Theatre Owners, Number of US Movie screens, 2012.

7. China Internet Network Information Center, Statistical report on internet development in China, July 2013.

# Internet Access

## Internet Users (M) and Penetration (%)



Source: CNNIC Statistical Survey on Internet Development in China

## The Great Firewall

Officially most large foreign social networks, search engines, Twitter and online video sites such as YouTube are not available in China. As a result, China is one of the few countries where there are domestic equivalents of the international market leaders such as Facebook, Google, Twitter and YouTube.

Nevertheless, various sources estimate that many Chinese have found various ways around the wall, with market research firm GlobalWebIndex putting the number of active Chinese Facebook users at over 60 million and Twitter users at over 35 million<sup>(8)</sup>.

It appears Chinese users are using VPNs (Virtual Private Networks), VCN (Virtual Cloud Networks) or connections at work that may be routed internationally. Crucially, this means that users won't be picked up in analytics and will not register as being in a Chinese location at all.

Please see the appendix for brief profiles of the main domestic Search Engines.

## Internet Bars

The first internet bars, also known as internet cafés or cyber bars, opened in China in the middle of 1990s, initially aimed at providing online access for people who could not afford their own PC. Internet bars charge a time based fee for internet access and also sell snacks and drinks. Children under the age of 18 are formally not allowed to visit internet bars, but this has not always been strongly enforced.

By the end of 2012 there were 136,000 internet bars in China, a decrease of 6.9% year-on-year. The total revenue of internet bars dropped by 13.2% to 53.7 billion RMB in the same year. The total number of computers installed in internet bars was 11.9 million and there were over 1 million people employed by internet bars.

Playing games is the number one reason people go to internet bars, cited by 46.3% of all internet bar users. In 2012, almost a quarter of all internet users in China used internet bars<sup>(9)</sup>.

The Chinese authorities have been encouraging the development of large regional and national chains of internet bars with uniform service and safety standards. By the end of 2012, 40 percent of China's internet bars were owned by chains. Further consolidation of the internet bar sector is likely, as demand decreases (amongst others due to increased availability of mobile and domestic broadband and the spread of PCs, smartphones and tablets), while the costs of running an internet bar has increased over the last few years (as rents and wages in big cities have increased substantially).

8. GlobalWebIndex, "China: The Home to Facebook and Twitter?", September 28, 2012.

9. Ministry of Culture of the People's Republic of China, "China Internet Café Market Annual Report 2012", May 2013.

# Online Video



## Online Video

With 450 million online video viewers, or 80% of its internet users, China has the largest online video audience in the world<sup>(10)</sup>. The time spent on viewing browser-based videos on PCs surpassed that of client-based videos in Q4 2012 with 54.9% share. Time spent viewing videos on mobile devices increased from 4.4% in August 2012 to 11% in June 2013. Viewing online TV series was the most popular with 52.2% of total time spent on online video in Q2 2013, followed by variety shows (12.3%) and movies (8.7%)<sup>(11)</sup>.



Part of the reason for the rapid growth of online video is that the operators of online video sites enjoy a much greater degree of freedom than traditional TV stations: all TV stations are state-owned and are subject to strict government control while online video sites are allowed to self-censor content once they obtain an operating license.

Since 2008, Chinese online video firms have also started competing directly with TV by producing their own content. A prominent example is Baidu, which announced a partnership with Viki (owned by Rakuten of Japan) in December 2013, to bring subtitled TV shows and movies from around the world to China in the form of Online Video.



**Youku Tudou Inc.** was created in 2012 as a result of the merger of Youku with smaller rival Tudou and had 309 million unique monthly users in September 2013. It is listed on the NYSE.



**LeTV** is owned by LeTV Mobile Media & Technology Co. Ltd. and had 251 million unique monthly users in September 2013. It listed on the Shenzhen Stock Exchange in 2010.



**QQLive** is the video website owned by Tencent. It had 254 million unique monthly users in September 2013.



**Sohu Video** is part of internet firm Sohu.com Inc. It had 168 million unique monthly users in September 2013.



**iQiyi**, Baidu's online video platform was merged with PPS, acquired by Baidu for \$370m in May 2013. It had 162 million unique monthly users in September 2013.



**PPTV**, also called PPLive, belongs to PPTV Inc., a private company backed by several international venture capital funds. It had 137 million unique monthly users in September 2013.

10. The Economist, "Online video in China, the Chinese stream", November 9, 2013.

11. iResearch Q2 2013 China Online Video Report.

# Social Networks



**Qzone** is China's biggest "anonymous" social network. It was launched in 2005 by Tencent and users gain access to a private multimedia space, in which they can keep diaries, listen to music, place emoticons and upload photos. Qzone is built on the massively popular QQ instant messaging platform. The number of mobile users of Qzone has increased rapidly, reaching 357 million at the end of the second quarter of 2013, representing 57% of total MAUs. Roughly three quarters of its revenues in 2013 came from selling "value-added services" to consumers.



**Pengyou** (meaning "friends") is Tencent's real name based social network, aimed in particular at university students. Launched in 2008, the site facilitates contacting old classmates, making new friends and sharing news. Also, the site features internships, part-time jobs and recruitment information. In terms of entertainment, users can play QQ Restaurant, QQ Farm and other games together with their school friends. At the end of 2012 Pengyou had 247 million MAUs.



**Renren.com** is another leading real name social network in China, allowing users to connect with their friends, classmates, family members and co-workers. Launched in 2005, Renren.com appeals mostly to students and white-collar professionals and university-bound high school students. The company also has an online game business (Renren Games), a popular website providing deeply-discounted local products and services (Nuomi.com) and a user-generated video sharing website (56.com). The website had approximately 50 million monthly unique users at the end of the third quarter of 2013. Renren listed on the NYSE in 2011.



**Kaixin** (meaning "happy") is a real-name social network and was launched in 2008. It targets white collar workers and users typically come from first tier cities such as Beijing, Shanghai and Guangzhou. Kaixin001 is a closed platform and has about 50 applications, the majority of which are games. Post-forwarding is also very popular: celebrity gossip, cute photos or funny stories routinely receive many thousands of ratings and forwards. Investors include SINA Corp.



**51.com** was one of the first social network sites in China, launched in 2005. Registered users can upload photos, keep diaries, listen to music and share these with friends. In 2009, 51.com launched its first game and later added other service such as instant messaging ("Rainbow") and a dating service. The company is backed by Sequoia Capital and other VCs.



**Douban.com**, launched in 2005, is an anonymous social network that allows registered users to share their movies, books, music and event reviews. Unlike Renren and Facebook, Douban allows unregistered users access but not to all of its content. At the end of 2012 Douban.com had 62 million registered users and over 100 million unique visitors each month. Douban also owns China's leading online radio station.

# Microblogs & Messaging



**Tencent QQ** is an instant text messaging tool released by Tencent in 1999, originally for PCs. QQ facilitates basic online communication, including text messaging, video and voice chat as well as file transmission. It also supports cross platform communication between PC and wireless devices. QQ is the most popular personal communications app in history: over one billion registered users across 80 countries use QQ.



**SINA Weibo**, launched in 2009 by SINA Corporation, allows users to connect and share information anywhere, anytime and with anyone in a very similar way as Twitter. SINA Weibo is the leading public micro blogging platform with over 500 million registered users. The majority of its revenue comes from selling “value-added services” to consumers. Key features of Weibo.com include a Microblog (to send text up to 140 Chinese characters, photos, videos and music) and Messenger (for private messages). Weibo is an open platform offering proprietary and third-party apps. Weibo Credit is a digital currency for purchasing virtual goods and premium services, such as Weibo VIP membership and can be paid for by credit card, debit card, Alipay or mobile phone. Sina Weibo is likely to be spun off and listed publicly in NY in 2014. Alibaba has a 18% stake in SINA Weibo.



**Tencent Microblog**, also called Tencent Weibo, was launched by Tencent in 2010. It is an open platform, where users can share photos, videos and text within a 140 words limit. In 2011, Tencent Weibo launched its English version to target the international market, ahead of its major rival Sina Weibo. Tencent Weibo also had over 500 million registered users. One of the main differences between Sina Weibo and Tencent Weibo is said to be their user base: Sina is concentrated in the Tier 1 and Tier 2 cities, whilst Tencent Weibo’s users base is predominantly from Tier 3 and Tier 4 cities.



**Weixin** is a private mobile text and voice app released by Tencent in 2011. It had about 500 million registered users and over 270 million MAUs at the end of Q3 2013. The app is available on iPhone, Android, Blackberry and Windows phone. The international version is called WeChat, which has about 70 million users. Weixin continues to add social networking features such as “Friend Circle” and “Moments” and also announced a Game Center with games, stickers and other value added services in 2014, including a payment system. The games can either be played in single player mode, or online with WeChat friends and leaderboards. In comparison, WhatsApp had 430 million active users globally at the end of 2013.



**Laiwang**, meaning “in contact” in Chinese is an instant messaging tool that was released in September 2013 by Alibaba, China’s largest ecommerce company. Alibaba considers Laiwang a key strategic product for the wireless era and it gained 10 million users in its first month.

# Mobile Telecoms Market



## Mobile Subscribers

By December 2013, the number of subscribers to mobile communication services increased to 1.23 billion, equal to 90.8 phones for every 100 people <sup>(12)</sup>. Among these 1.23 billion mobile users, 417 million (34%) are 3G users. By the end of 2013, China had about 500 million mobile internet users. During the first half of 2013, 70% of the new internet users used mobile phones to access the internet and mobile phones became the number one source of new internet users.

## Mobile Operators

There are three major mobile operators in China: China Mobile, China Unicom and China Telecom.



With 767 million subscribers at the end of 2013, China Mobile is the world's largest mobile phone carrier. However, China Mobile has the lowest percentage of 3G subscribers of the three big carriers, with just 25% (191 million).

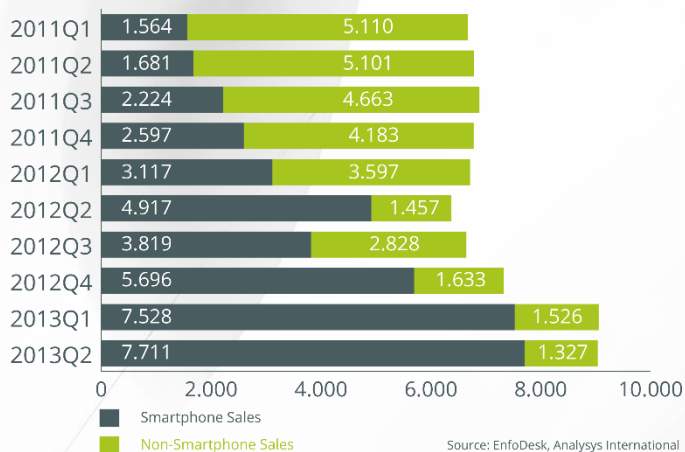
China Unicom and China Telecom have higher 3G subscriber percentages, partly because both carriers offer Apple's iPhones (China Unicom since 2009 and China Telecom since 2012). In December 2013 China Mobile announced it had also reached a long awaited agreement with Apple to start offering iPhones in 2014.

At year end 2013 China Unicom had 281 million subscribers of which 123 million were 3G subscribers (44%). China Telecom had 186 million subscribers of which 103 million were 3G subscribers (55%).

## Smartphones

The penetration rate of smartphones has increased dramatically in the past two years, with the vast majority of new handset sales now being accounted for by smartphones. In Q2 2013 more than 90 million mobile phones were sold, a 36% increase compared to 2012. Over 85% of these were smartphones <sup>(13)</sup>. This share is expected to increase as more low-end smartphones become available and 3G and 4G networks are rolled out. At the end of 2012, Android accounted for 86.4% of the mobile operating systems and Apple iOS took 8.6% <sup>(14)</sup>.

## Mobile Phone Sales (units '000)



According to NPD, in Q3 2013 the global smartphone penetration rate was 55% and the compound annual growth rate of smartphones in the next five years would reach 21%, while non-smartphones would shrink at an annual rate of 16%. The majority of smartphone growth will come from the Asia-Pacific region, especially China. China is forecast to account for 30% of the smartphone market by 2017.

<sup>12</sup>. Source: official websites of China Mobile, China Unicom and China Telecom, Operating Data, 31th December 2013.

<sup>13</sup>. Analysys International, Smartphones Sold in China in 2013Q2, August 28th 2013.

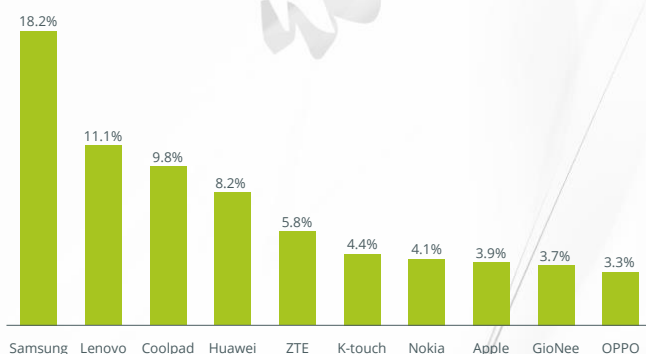
<sup>14</sup>. White Paper on Mobile Internet in 2013, February 2013.

# Handsets, Tablets & PCs

## Mobile Handset Market

The Chinese market for mobile handsets is unique in the sense that there are a number of large domestic manufacturers who jointly have a substantial share of the market. They all use adapted versions of the Android OS, causing huge fragmentation of the Android market.

## Mobile Phone Market Share 2013 Q2



Source: Analysys International "Xiaomi Returns to Chinese Smartphone Market Top 10 in 2013 Q2", August 28th 2013

Samsung is the clear market leader, whilst Apple is one of the most admired brands in China. The latest iPhones, iPads and Galaxy phones are recognized status symbols. Apple has remained focused on high-end mobile devices and sells at a significant premium to other brands, while Samsung caters to both the high-end and mass market.

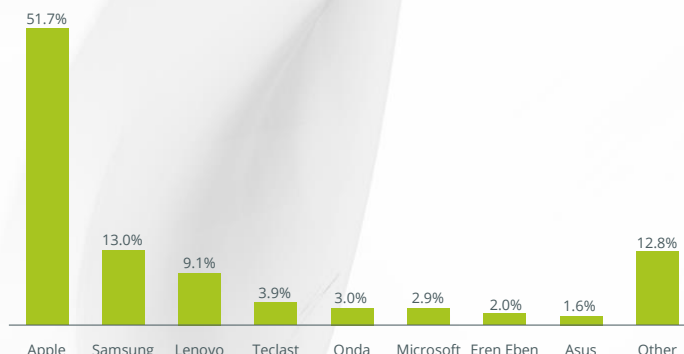
The price of the latest 5S iPhone model (RMB 5,288) and even that of the cheaper 5C (RMB 4,488) is still at a big premium to other models, in particular from domestic manufacturers. The most expensive models from Huawei, Lenovo and ZTE cost between RMB 2,900 and RMB 3,400<sup>(15)</sup>.

Please see page 42 for brief profiles of the main domestic handset manufacturers.

## Tablet Market

In Q3 2013 the total sales of tablets in China reached 4.35 million, an annual growth rate of 21.7%. The main driver of growth is the popularity of Android tablets: whilst Apple still dominates the market with its iPad, Samsung is rapidly gaining market share with its competitive range of tablets. Teclast and Onda are domestic producers of budget tablets.

## Tablet Market Share Q3 2013



Source: EnfoDesk, Quarterly Report on China's tablet market, Q3 2013.

## PC Market

China surpassed the United States in 2012 as the world's largest PC market with 79 million units shipped for domestic use, including 40.5 million desktop and 39.4 million notebooks, compared with 66 million in US. With 8.1% year-on-year growth, the PC market performed better in China in 2012 than most other countries, although the growth rate is slowing down. Nevertheless, as urban households still have less than one PC unit on average per home, and an even lower rate of ownership in rural areas, there remains plenty of room to grow<sup>(16)</sup>.

15. Financial Times, "Apple seeks leap forward in biggest market", September 12, 2013.

16. IHS iSuppli Market Research, "Chinese PC industry suffers slight setback in 2012", Jan 7, 2013.



# App Stores

## AppStores in China

Prior to 2012 the development of the App ecosystem in China was severely hampered by a very fragmented discovery, distribution and payment landscape as well as a relatively small installed base of smartphones. According to a report released by Baidu in 2012, there were more than 100 distribution channels in China, but only 20 of them of significant size.

In 2012 and 2013 the Chinese App ecosystem underwent dramatic change. A small number of leading Android app stores emerged (see next page) facilitating discovery and distribution, and payment channels became more user friendly and secure. This helped generate massive growth of the app economy, in particular for (locally developed) Android apps.

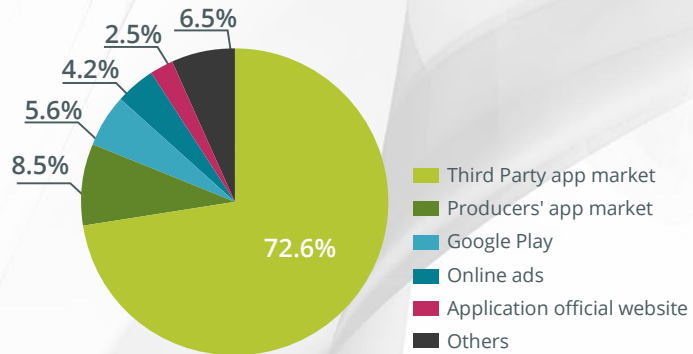
Nevertheless, the market structure in China remains very different from the West:

- Google Play is not widely available and Amazon only launched in 2013;
- Android stores operated by the three main mobile carriers have a very significant market share (up to 30% by some estimates);
- Preloading by handset manufacturers plays an important role in distribution;
- Carrier billing is the dominant billing channel for Android apps.
- Rev sharing is c. 50% on Android stores

According to data released by research firm Flurry in August 2013, 64% of total time spent in apps in China involves locally developed apps, compared to 59% for the same statistic in the US, showing the strength of the domestic app industry.

According to a report by Baidu, Tier 1 cities accounted for about 15% of Android users and Tier 2 cities for about 40% in Q3 2013.

## Android App Distribution Channels



Source: Umeng Analytics Platform

## Apple iOS AppStore

iOS AppStore sales have also developed rapidly in recent years as illustrated by an analysis showing that in Q2 2012, Apple's Chinese App Store was the second largest in the world by number of downloads with 18%. However, its revenues only accounted for 3% while the share of the US in terms of downloads was 28% and revenue accounted for 42%<sup>(17)</sup>. In December 2013, China had already moved up to number 3 in the world in terms of game revenues.

## China Operating System

In January 2014, Chinese officials announced a new Linux-based operating system, COS, that would run on phones, tablets, PCs and set-top boxes. It is developed by the Institute of Software at the Chinese Academy of Sciences in co-operation with the tech company Shanghai Liantong and aims to break the grip of Android, and to a lesser extent iOS, on the market.

17. Stenvik Skold & Company, "Apple's China App Store: 18% of downloads, but only 3% of revenue" by Carl-Johan Skold on August 3, 2012.

# Major Android AppStores



**360 Mobile Assistant** is an Android-based app store offering books, video games, software and music. It was launched in 2011 by Qihoo 360, a leading (mobile) internet security company. According to iResearch, 360 had 70 million users and 100,000 apps by November 2012. It had about 15 million downloads per day and 2.8 billion downloads in total.



**Tencent MyApp** was launched in 2011 as a distribution platform for third party apps. To attract users, Tencent released its new version 5.1 of WeChat exclusively through Tencent MyApp. According to iResearch, MyApp had 80 million users and 250,000 apps by November 2012. It had about 10 million downloads per day and 3 billion downloads in total.



**Wandoujia** was founded in 2010 and was first launched a PC suite to manage apps via USB or Wi-Fi. The company has since become a leading mobile content search engine and AppStore. The international version, Snap Pea, was launched in 2012. Wandoujia has over 300 million users and daily app downloads exceed 30 million. In January 2014, Softbank led a \$120m funding round for the company.



**UC AppStore** was launched by UC Web, a provider of mobile internet software technology and services founded in 2004. Its flagship product, UC Browser, is widely used on mobile devices and gives its AppStore a strong competitive edge. Alibaba has a significant stake in private UC Web.



**Gfan Market** was launched in 2009 by mAPPn Inc., together with Gfan Forum and Gfan Game. Gfan Market offers more than 300,000 apps and games. The total number of downloads to date is more than 3 billion, with 10 million new downloads everyday. Gfan Forum is one of the most active Android communities with over 40 million registered members.



**The Baidu app store** is owned by China's leading search engine Baidu. In 2013 Baidu acquired 91 Wireless from NetDragon, which was established in 2010 and operates two major app stores, 91 Assistant and Himarket. The combined business is the largest app store in China, with more than 10 billion downloads in total and over 200 million users in 2013.



**AnZhi Market** was launched in 2010 along with the Anzhi Forum. As of Q3 2013, AnZhi Market had 120 million users, of which 60% are active. The Market had 300,000 apps in total and the monthly number of downloads reached 500 million.



In 2014 **Alibaba**, China's largest ecommerce company, announced it is building a platform to promote and distribute third-party mobile games in addition to its leading Taobao market place. Game developers will get 70 percent of the revenue and Alibaba 20 percent, with 10 percent going to charity. In 2013 Alibaba also acquired Umeng, a local app analytics company.

# 2. Games Market

"The Newzoo Chinese Game Market introduction provides a good basis for understanding the rapidly evolving Chinese game industry. We believe that Western game companies seeking to enter the China market need an experienced partner that not only understands local China market practices and users, but is passionate about their games. The China market is equally challenging and rewarding for those companies who seek to dedicate their development teams to truly understand the differences and commonalities of Chinese gamers."

**Jay Chang, CFO KongZhong**

# Chinese Games Market



## Introduction

Newzoo has researched the Chinese markets since 2011, and we constantly monitor market developments, third party data and company results. This section provides some interesting market data from various sources to give a good overview of the Chinese games market.

## Government Policy

The macro policy environment generally appears favourable for continued growth of the games industry. In particular, the 18th National Congress emphasized the goal of developing a society with a strong cultural sphere. Another report released by the State Council specifically pointed to digital publishing and interactive multi-media as high priority segments.

In addition, the so-called "Super Ministry" reform was introduced with the aim of consolidating government agencies with similar functions, reducing administrative overlap and improving efficiency. As a result, the State Administration of Press, Publication, Radio, Film and Television of the PRC was established in March 2013 and it is now solely responsible for the regulation of online games and the approval of new games.

## Game Publishers Association

Every year the China Game Publishers Association Publications Committee ("GPC") releases a free report describing the state of the Chinese games market (in Mandarin only). GPC was established in 2003 with the support of the State Administration of Press, Publication, Radio, Film and Television in order to help develop and regulate the games industry.

## Gamers (million) and Growth Rate (%)



Source: GPC China Games Market Report, December 2013.

The GPC covers the entire industry, including game publishers, developers, operators, distributors and games related media, with over 100 members.

The GPC divides the market in five main game segments: client games, mobile games, social games, web games and single player games. The annual report provides detailed information about the number of gamers and revenues for all segments, as well as discussing key trends and developments. The 2013 report was released December 28, 2013.

## Number of Gamers

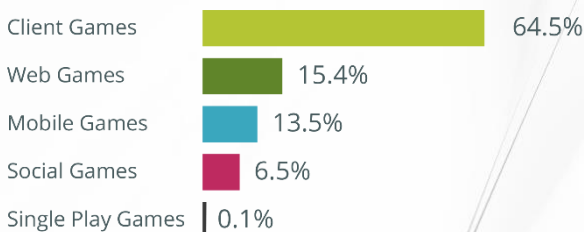
According to the GPC, the number of Chinese gamers has grown explosively in the last few years, driven by growth of the number of people with access to internet and increased spending power of consumers. In 2013 the number of players in China reached 490 million, a 20.7% year-on-year increase, representing roughly one third of the total population and three quarters of the online population.

# Game Market Revenues

## Game Market Revenues in 2013

In terms of revenues, the Chinese gaming market reached RMB 83.2 billion (\$13.8 billion) in 2013, achieving a 38% year-on-year growth, according to GPC. Client games are by far the biggest segment, followed by web games and mobile games. Domestically-developed games accounted for RMB 47,7 billion (\$7,9 billion), representing 57% of the market and a 29,5% year-on-year increase.

## Market Share by Revenues in 2013



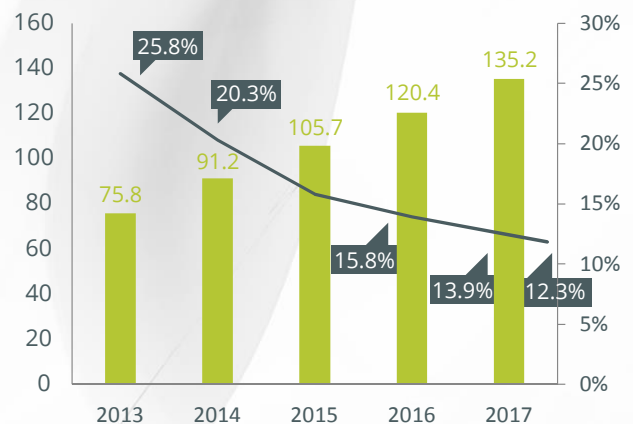
Source: GPC China Games Market Report, December 2013.

In the first six months of 2013, the government approved 291 new games, of which 92% were developed in China. The share of locally produced games has consistently been very high, although foreign games probably take a proportionally larger share of total revenues.

## January 2013 GPC Forecasts

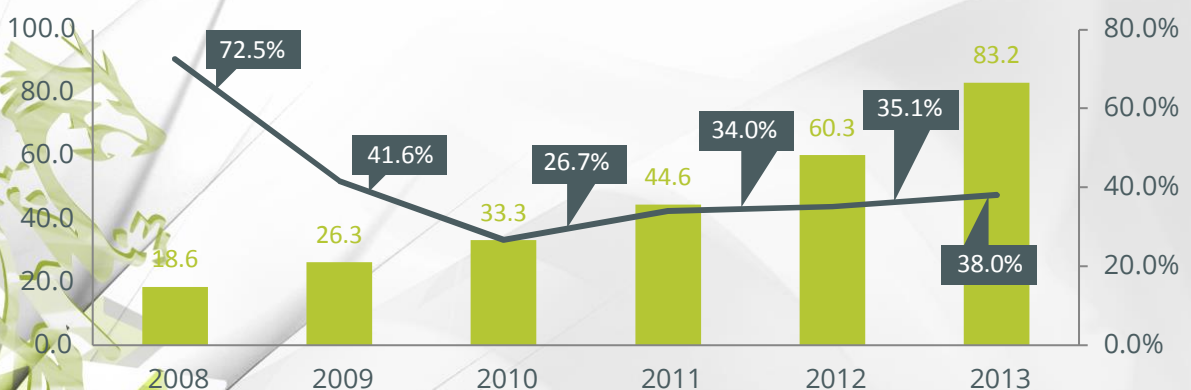
The graph below shows the GPC market forecasts from January 2013, as new forecasts were not available yet at the time of publication of this report. The 2013 numbers show that the growth achieved in 2013 is quite a bit stronger than anticipated a year ago by the GPC, caused in particular as a result of the explosive growth of the mobile games segment. The forecasts for Client games on the next page are also from January 2013.

## Forecast for Games Market (RMB bn)



Source: GPC, IDC and CNG, 2012 China Gaming Industry Report, January 2013.

## Revenues (RMB bn) and Growth (%) of Chinese Games Market



Source: GPC China Games Market Report, December 2013.

# Online Client Games

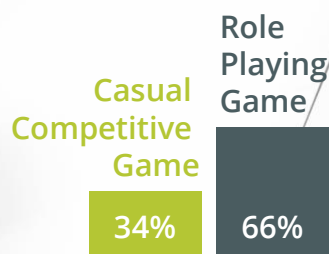


## Online Client Game Market

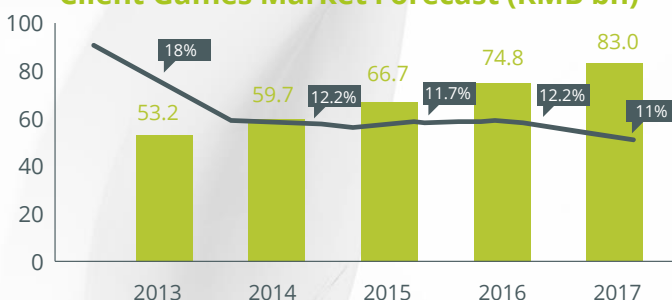
According to the GPC, in 2013 the number of online client gamers reached 150 million, a 8.6% year-on-year increase. The revenues were RMB 53.7 billion (\$8.9 bn), a 18.9% year-on-year increase, slightly higher than forecast at the start of the year. The market share of client games was 64.5%, compared to 74.9% in 2012. GPC subdivides the client market into role playing games and casual competitive games, with revenues of RMB 35.3 billion (\$5.8 bn) and RMB 18.4 billion (\$3.0 bn) respectively. As opposed to RPGs (which are mostly massively multiplayer games with an extensive story line), casual competitive games are defined as games where you play for a limited period of time with a more limited number of players and compete to win. The most popular game in this genre is chess.

The challenges facing developers and publishers of client games include the ever increasing development budgets for high quality games and the increasing costs of player acquisition in the face of competition from both other client games as well as mobile and web games. Unsurprisingly, many client game developers have also entered the mobile game market.

## Online Client Games Segments



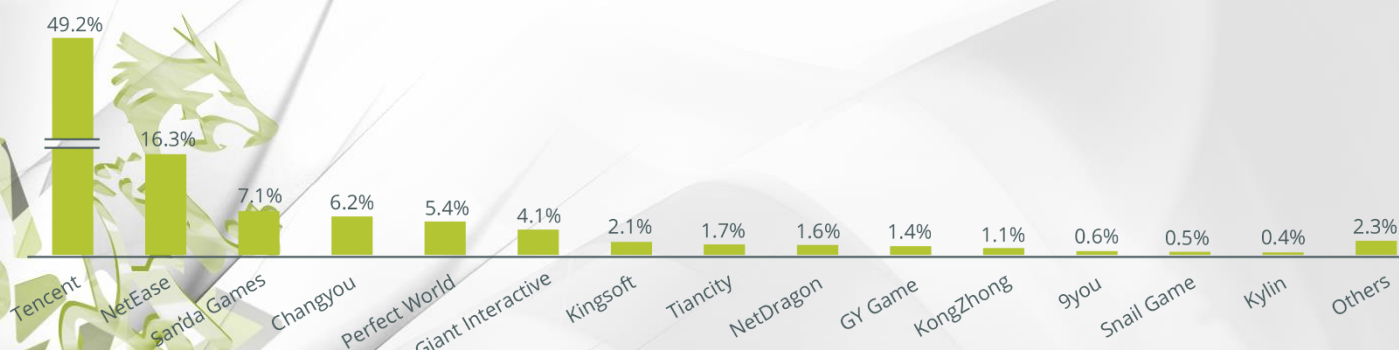
## Client Games Market Forecast (RMB bn)



Source: GPC, IDC and CNG, 2012 China Gaming Industry Report, January 2013.

Client games generally have a long life cycle and generate much higher revenues than web games: a top grossing client game generates roughly ten times that of a top grossing web game. The payment infrastructure is also more mature and secure, with multiple options such as online payment platforms and the possibility to pay small amounts in internet bars.

## Market Share in Revenues of Client Game Developers in Q3 2013



Source: EnfoDesk, China client game market report in Q3 2013.

# Popular Client Games



**League of Legends** is a 3D MOBA developed by Riot Games and published by Riot and Tencent. It was launched in 2010. The game is reported to have reached 4.8 million DAUs in China in 2013.



**Cross Fire** is a 3D FPS developed by Smile Gate and Neowiz and published by Tencent. It was launched in 2007. The game is reported to have reached 1.73 million DAUs in 2013.



**Dungeon & Fighter** (DNF) is a 2D MMOACT developed by Neople and published by Tencent. It was launched in 2005. The game is reported to have 1.3 million DAUs in 2013.



**Fantasy Western Journey** is a 2.5D MMORPG developed and published by NetEase. It was launched in 2003. The game is reported to have reached 950,000 DAUs in 2013.



**World of Warcraft: Mists of Pandaria** is a 3D MMORPG developed by Blizzard Entertainment and published in China by NetEase. It was launched in 2012. The game is reported to have reached 800,000 DAUs in 2013.



**JX Online III** is a 3D MMORPG developed and published by Kingsoft. It was launched in 2009. The game is reported to have reached 800,000 average concurrent users in 2013.



**AskTao** is a 2D MMORPG developed by G-bits and published by GY Game. It was launched in 2006. The game is reported to have reached 1 million peak concurrent users in 2013.



**Tian Lon Ba Bu** ("New Dragon Oath") is a 3D MMORPG developed and published by Changyou. It was launched in 2007. The game is reported to have reached 800,000 DAUs in 2013.



**Swordsmen Online** is a 3D MMORPG, developed and published by Perfect World. It was launched in 2013. The game is reported to have reached 400,000 average concurrent users in 2013.



**Age of Wushu** is a 3D MMORPG developed and published by Snail Game. It was launched in 2012. The game is reported to have reached 300,000 average concurrent users in 2013.

# Mobile Games



## Mobile Game Market

According to the GPC, in 2013 there were 310 million mobile gamers, a 248.5% year-on-year increase. Mobile games generated RMB 11.24 billion (\$1.9 billion) in revenues, a 246.9% year-on-year increase. The market share of mobile games more than doubled to 13.5% compared to 5.4% in 2012. Further growth is expected over the next few years, as mobile internet infrastructure improves, touch screen smartphones spread and payment systems become more user friendly and secure.

## Third Party Research

A report by Niko Partners, released in September 2013, estimated the Chinese market would reach \$1.2 billion in 2013, with 500 million smartphones in use. The report also stated there were over 80,000 (app) development studios in China releasing more than 100 mobile games a day. When the above GPC numbers were released, Niko issued a statement noting the difference in market size estimates and indicated they would comment in due course <sup>(18)</sup>.

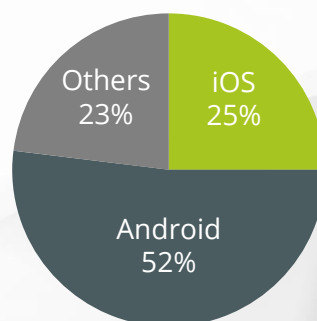
A report by iResearch, released in December 2013, estimated that the mobile games market reached RMB 9.1 billion (\$ 1.5 bn) in the first three quarters of 2013 (gross of app store commission), up from RMB 7.9 billion (\$1.3 bn) for all of 2012, with quarterly growth accelerating in 2013 <sup>(19)</sup>. These numbers point to a somewhat higher total mobile revenue number than reported by GPC, assuming continued quarterly growth.

According to a report from Frank N. Magid Associates, 84% of Chinese people play video games compared to 69% of Americans. Among Chinese gamers, mobile gaming is the most popular segment with 79% of gamers playing on a tablet and 57% on a smartphone <sup>(20)</sup>.

The share of gamers playing weekly in China has risen to 59% and 50% respectively for mobile gaming and tablet gaming. This has overtaken PC gaming and free-to-play MMOs, which are at 45% and 44 %, respectively. In the US, 68% of tablet owners and 66% of smartphone owners play games at least once a week on their devices.

When it comes to paying for games, 67% of iPad and 63% of Android tablet users in China say that they buy virtual goods. These numbers drop to 37% and 33% in the US. A similar trend was found for game payments on smartphones. The Chinese data was based on a survey of 1,000 internet users aged 10-64 in September 2013.

## Game App Revenue Structure in Q3 2013



Source: Game Publication Committee of the Publishers Association of China, China Gaming Industry Report, Q3 2013.

18. Gamesbeat, "Analysts expect China's mobile game market to surpass \$1.2B in 2013", September 4, 2013.

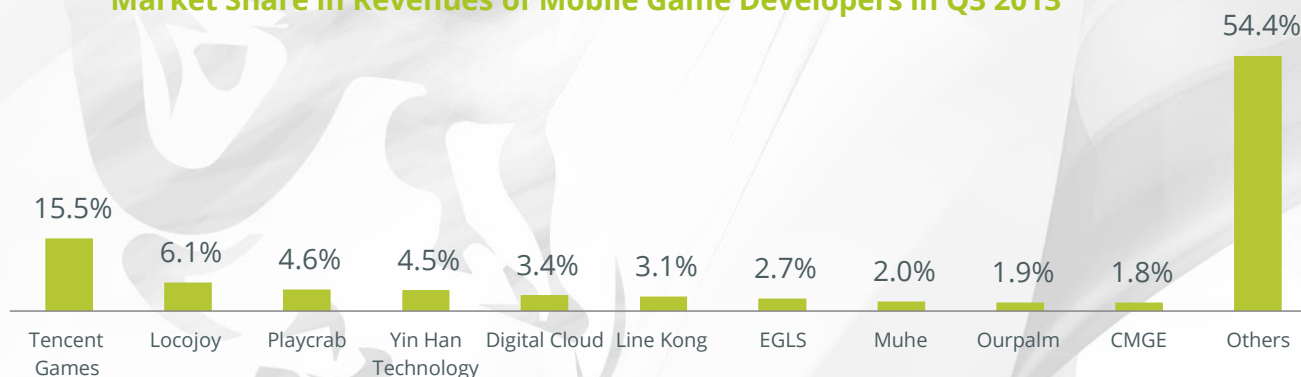
19. iResearch, "Mobile Game Upsurge Highlights China Online Gaming Industry in Q3 2013", December 10, 2013.

20. GamesIndustry.biz, "Gaming more pervasive in China than US", October 10, 2013.



# Mobile Games

## Market Share in Revenues of Mobile Game Developers in Q3 2013



Source: EnfoDesk, China client game market report in Q3 2013.

## Top 10 grossing games in 2013 - iPhone

Game	Publisher	Downloads	Revenues (\$)
我叫MT Online	LOCOJOY	>4,500,000	>30,000,000
天天酷跑 (Cool Running)	Tencent	>9,000,000	>16,000,000
大掌门 (Big Head)	Air&Mud Studio	>3,000,000	>13,500,000
Clash of Clans	Supercell	>2,000,000	>13,000,000
龙之力量 (Dragon Force)	Digital Cloud	>600,000	>7,500,000
我叫MT Online (Internat.)	LOCOJOY	>1,500,999	>6,000,000
武侠Q传 (Swordsman)	Koramgame (Kunlun)	>1,000,000	>5,500,000
魔卡幻想 (Magic Card)	iFree Studio	>800,000	>5,500,000
三国来了 (Three Kingdoms)	RedAtoms	>1,000,000	>4,500,000
扩散性百万亚瑟王 (Million Arthur)	Meiyu Information and Technology	>850,000	>4,500,000

## Top 10 grossing games in 2013 - iPad

Game	Publisher	Downloads	Revenues (\$)
我叫MT Online	LOCOJOY	>2,000,000	>13,500,000
Clash of Clans	Supercell	>1,500,000	>12,000,000
龙之力量 (Dragon Force)	Digital Cloud	>400,000	>7,000,000
大掌门 (Big Head)	Air&Mud Studio	>1,200,000	>4,000,000
忘仙HD (Wang Xian)	Magic Universe Network	>250,000	>3,500,000
神雕侠侣 (Condor Heroes)	Perfectworld	>450,000	>3,000,000
神仙道 (Immortal)	XINDONG	>700,000	>3,000,000
君王2 HD (King)	Shanghai Morefun Digital Technologies	>800,000	>2,000,000
大富豪HD (Business Life)	Qin Shaoyong	>2,500,000	>2,000,000
武侠Q传 (Swordsman)	Koramgame (Kunlun)	>350,000	>2,000,000

Source: Distimo AppIQ and Newzoo.

# Web Games

## Web Game Market

According to the GPC, in 2013 the number of web game players reached 330 million, 21.2% higher than 2012. The revenues were RMB 12.8 billion (\$2.2 billion), an increase of 57.7% compared to 2012. Its market share was 15.4% compared to 13.5% in 2012. In general, the web game market has seen an improvement in quality both in terms of game design and artwork and graphics.

One of the challenges of web games is that successful games are quickly copied and there is increased competition. This is illustrated by the fact that the number of individual games in the highest bracket, earning more than RMB 100 million (\$17 m) each month, decreased while the number of individual games in the middle bracket, earning more RMB 10 million (\$1.7 m) each month, increased.



Above are the two most popular web games in 2013 according to GPC. Goddess Alliance (above on the left) is a 2.5D Western Fantasy RPG, developed and published by YOUZU (launched in 2013). New Chinese Paladin (above, on the right) is a 3D MMORPG developed by Dream Square and published by 360 Game and 37 Wan.

## Social Game Market

According to the GPC, the social games market revenues were RMB 5.4 billion (\$0.9 billion) in 2013, an increase of 45% compared to 2012. Its market share was 6.5% compared to 6.2% in 2012.

Social games refers to the games people play on social network sites, such as on Qzone, Renren and Sina Weibo. Social games enable players to interact with others and do not require a download. Most social games are free to play and allow users to purchase virtual items in-game. For example, Weibo Games offers third-party and internally developed games, including role playing, card games, strategy games and real life simulations.



Above are two very popular social games. Happy Farm (on the left) is developed by Five Minutes and available on various networking sites (launched in 2008). Fishing Holiday (on the right) is a 3D casual game, developed and published by Reko and launched in 2011.

Please see page 13 for an overview of the main Social Networks in China.

# Domestic & Western PC Games



## Single Player PC Game Market

The revenue of the smallest segment, single player (non-MMO) client games, was RMB 89 million (\$15 m) in 2013, showing a growth of 18.7% compared with 2012. This follows several years of rampant piracy, with download sites only recently agreeing to respect the IP of domestic developers. These games are now free to download and install but require a key, which is sold by the sites or developers, to play. The situation for Western PC titles is very different .....

## Availability of Western PC Games

Due to strict censorship rules combined with serious piracy issues, there are very few Western companies that publish Chinese versions of their PC games. Nevertheless, Western single player titles are hugely popular among Chinese gamers and are readily available to download for free from various websites.

To combat the language barrier with these titles, there are a large number of websites that offer free Chinese versions of Western games. The websites not only offer the hacked games for free but also add-on localization software that contains their Chinese localization and translation effort. Most Chinese versions of Western titles can be downloaded free from three websites:



**GAMERSKY**  
www.gamersky.com/pcgame



**Ali213**  
www.ali213.net



**3DMGAME**  
www.3dmgame.net

Interestingly, these companies are not considered to be undertaking illegal activities. In fact, it was recently revealed that PerfectWorld is negotiating the acquisition of 3DMGAME and Gamersky.com.

## Popularity of Western PC Games

In total, there are 7,231 single player games available for free download on Ali213.net, with the vast majority comprising of foreign single player games that have not officially entered into China.

The most downloaded game on Ali213.net in 2013 was Grand Theft Auto V, with over 14 million downloads and a rating of 9.5.

FIFA 13 has over 2.2 million downloads so far though no official Chinese version was released by EA. The Chinese versions and patches are provided by "Chinesation" teams: [www.ali213.net/zt/FIFA13/down/](http://www.ali213.net/zt/FIFA13/down/).

### Fifa13 on Ali213

User rating: 9.0

Downloads: 2,272,825



In general, Western games are rated very highly on the site, with criticism focusing on the low quality of the localization that is provided by the websites. When the non-official localization is done well, downloads are much higher.

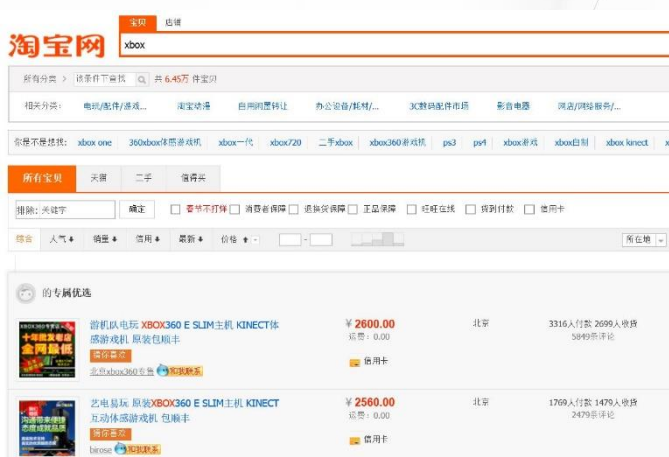
## Access for Western Developers

High quality Western PC games can easily attract tens of millions of players in China, and are actually are doing so. Monetization can be achieved by a combination of working with a respected local partner, integrating in-game spending models and localizing the game in Chinese from day one.

# Game Consoles

## Game Consoles

China banned game consoles in 2000 allegedly in order to protect the youth from the corrupting influences of video games. Despite the ban, many consoles have been bought abroad and smuggled into the country, often from HK or Taiwan. Many (online) electronics stores also sell imported consoles and counterfeit copies, indicating that the ban has not been enforced very strictly (as the picture below from leading online store illustrates). According to Niko Partners, over 1 million consoles were sold per year in China over the last few years.



Illegal copies of the many popular games are readily available and local engineers are said to have had no problem in technically altering consoles to ensure pirated copies of games load unhindered.

In January 2013 the Government confirmed that it would allow foreign firms to make and sell video game equipment in the Shanghai Free Trade Zone. The statement from the government leaves room for much uncertainty. It mentioned that foreign companies will have to invest in factories and manufacture the consoles in the SFTZ while at the same time stating that the ban's suspension was temporary and that all content would be subject to approval by the authorities.

## Weak IP Rights, Strong Content Vetting

China is obviously a potentially important market for console manufacturers, although most profit in the industry is made with selling games rather than hardware. The formal vetting process is clearly an obstacles in this respect, as is the fact that once approved, illegal copies are very likely to still be abundant. Interestingly, shares in Nintendo jumped on the news, indicating that investors believe it could benefit from the opening up of the Chinese market.

Sony and Microsoft could also be successful in China if their devices are completely digital and more games are offered free-to-play with in-game payment possibilities. A trend that started in 2013 in the West with the arrival of AAA free games on consoles (such as Crytek's Warface, Wargaming's World of Tanks and CCP's Dust 514) could point in that direction. Microsoft announced a partnership with smart TV manufacturer BesTV in 2013, and is rumoured to be planning the launch of a Chinese Xbox in late 2014, most likely based on a streaming solution (directly to the TV or via a Xbox).

Very shortly after the announcement of the relaxation of the ban, Huawei released the first Chinese game console, the "Tron", a cylindrical console that runs Android and connects to TVs via HDMI.



# Steam in China



## Steam

It is interesting to look at the position of Steam and the Steam Box in China, as they seem well suited for the Chinese market. The Steam store is available in both Traditional Chinese and Simplified Chinese and appears to be normally accessible from mainland China. Players can thus buy directly from the Steam store and pay by credit card or Alipay.

There is also a lot of Steam related trade happening on Taobao, the eBay of China, which is accessible to far more people. The two principal forms of trade are people selling game keys to individuals, which they often buy themselves at a discount during a sales promotion period abroad. The other is locals paying a trader on Taobao in order to have a gift sent by Steam, which is delivered directly in to their inbox, often with instructions from the seller (see below).



## Local Steam Forums

There are two other notable Steam related sites in China, neither of them sanctioned by Valve. The first is the "Steam Tieba": a forum or "post bar" on Baidu, China's leading internet search engine. Steam Tieba has over 400,000 members and accumulated over 3 million posts since inception. The second site is Steamcn.com, which was started by fans and has about 180,000 members.

## Steam Box

A key question is if Steam Box would be considered a console or game PC. This ultimately depends on the Government, and it has not explicitly commented on the case. The GPC informed Newzoo that in their view, Steam Box would indeed be classified as a console, and we agree it is unlikely it would be able to avoid strict console regulations.

Assuming Steam Box would be classified as a console, this would imply that it would need to be manufactured in the SFTZ in order to be approved for sale in China. A partnership with a local manufacturer could be a logical way to achieve this. Almost all the domestic PC manufacturers already offer "Game PCs", specifically aimed at the market for active gamers.

## Set-top Boxes and SmartTVs

Xiaomi has developed MiBox, a very slick design smart set-top box, allowing you to run Android apps and stream internet video on your TV. The retail price in China is about \$75 and demand far outstripped supply after it was launched in 2013. Xiaomi also sells smartphones and smart TVs, made by TCL.

Most of the big Online Video companies, such as LeTV, PPTV and Baidu, also offer their own set-top boxes, as does Alibaba. As a relatively large percentage of TV in China are smart TVs, this is a hot market, where traditional hardware manufacturers like Lenovo and Huawei are also active.



# Newzoo China Research



## Newzoo in China

Newzoo has been conducting proprietary primary consumer research in China since 2011 and the Chinese games market is also prominently featured in the Newzoo Global Games Market Report. In March 2014 we will again conduct a survey among 2,000 Chinese consumers aged between 10 and 50. The results of this survey, together with 17 other individual countries, will be available from May 2014 onwards.

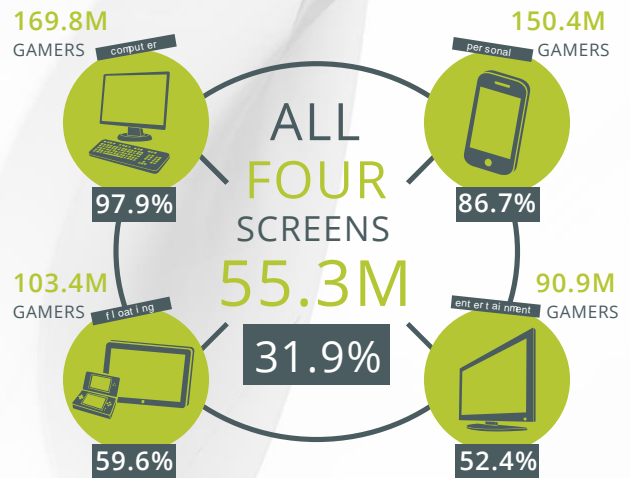
Compared to GPC, Newzoo uses a different set of segment definitions and also focuses on a more select group of consumers: the 50% or c. 215 million most active internet users aged between 10-50 years old.

Our research in March 2013 concluded there were 173 million active gamers in this group of 215 million active internet users, representing a ratio of about 80%. The estimated active internet population was approximately 60% of the total online population aged 10-50. Obviously the numbers had significantly increased by year end 2013. The illustration below shows how many players each traditional segment attracted, with many gamers playing on multiple platforms. China had the highest number of gamers in the world (173.4 m) and 65% of these were paying players.

## Screen Segmentation

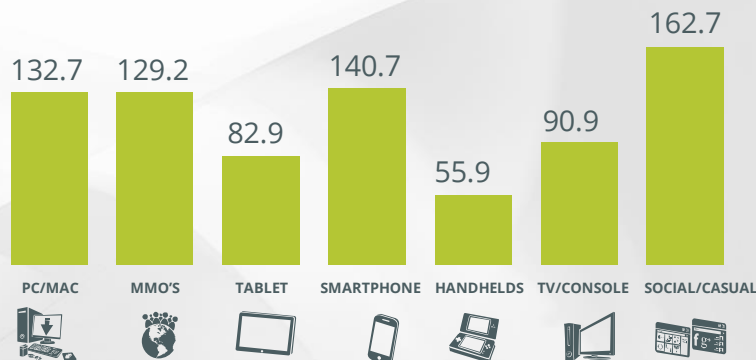
When it comes to cross-screen gaming, an impressive 31.9% of Chinese gamers played on all four screens. Mobile gaming is noticeably more popular in China than anywhere else with 86.7% of all gamers playing on the personal screen (smartphone).

## Cross-Screen Gaming in China



Social/casual games were the largest segment followed by mobile and PC/Mac games. In fact, China has a relatively high percentage of PC/Mac, MMO, tablet and smartphone gamers compared to all 17 other countries surveyed by Newzoo.

## Number of Active Chinese Gamers per Market Segment

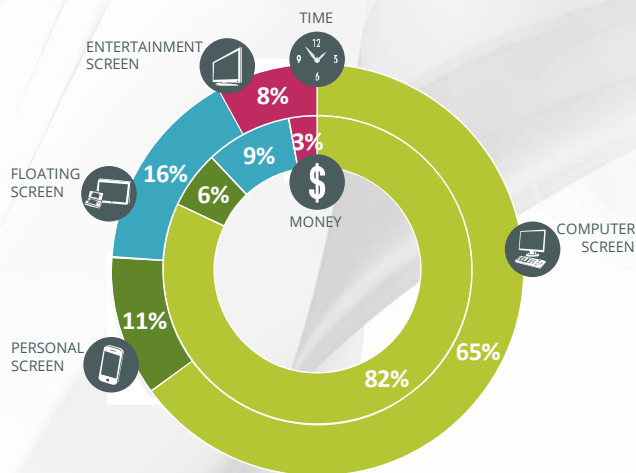


# Newzoo China Research

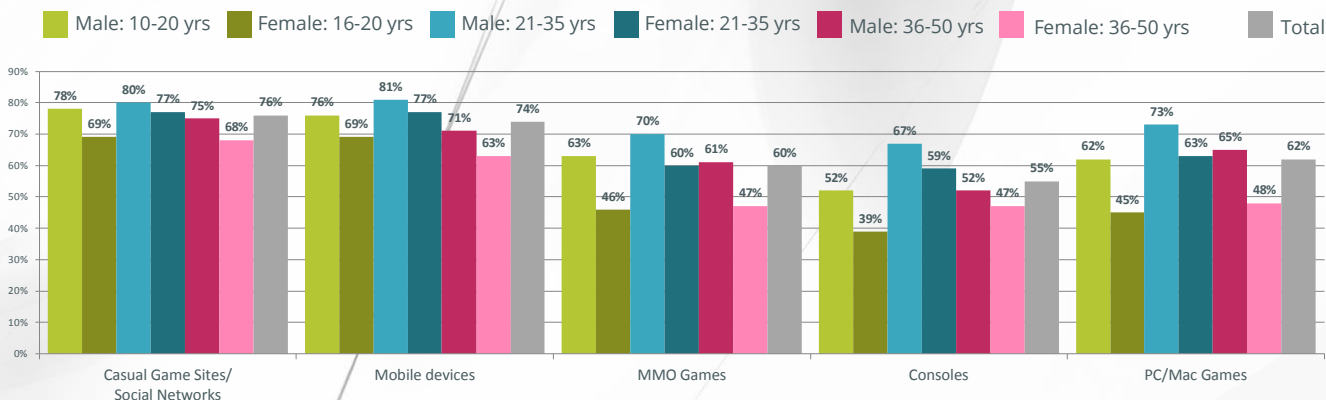


## Time and Money Split

Our research in early 2013 showed that 65% of all time was spent on the *Computer Screen* in China, with 82% of all money spent here (see graph to the right). This was much higher than in all the other 17 individual countries researched by Newzoo, where the *Entertainment Screen* claimed the majority of money. When comparing to the global average, China had double the share of *Computer Screen* revenues (82% vs. 39%) and only a fraction of *Entertainment Screen* revenues (3% vs. 36%). Chinese gamers spent the least money on the *Entertainment Screen* of all countries surveyed by Newzoo, no doubt due to the console ban and fewer home gamers.



## Players per Market Segment



## Players per Segment

For each gaming platform males aged between 21 and 35 were the most likely to play, closely followed by male 10-20 year olds on casual/social and MMO games. On consoles, females aged between 21-35 were the second most likely to play. Casual/social games (76%) were the most popular overall followed by mobile games (74%).

MMO games are more popular in China than any other country with 60% of the Chinese online population playing them. Older Chinese gamers were almost as likely to play across each platform as their younger counterparts, a trend that is not mirrored in most other Asian countries.

# 3. Appendix



# Public Game Companies



**Tencent 腾讯** **Tencent**, established in 1998 and headquartered in Shenzhen, is one of China's leading internet companies, providing value-added internet, mobile and telecom services with the goal of providing consumers with "one-stop online lifestyle services" covering communication, information, entertainment and e-commerce. In 2011 Tencent acquired a major stake in Riot Games (League of Legends) and in 2012 in Epic Games (Gears of War). Its games include "Dragon Power", "World of West", "World of Fantasy", "Legend of Yulong" and "Call of Duty Online". Tencent has over 20,000 employees and listed on the HK Stock Exchange in 2004.



**完美世界** **Perfect World**, established in 2004 and headquartered in Beijing, is a developer and publisher of online and mobile games. Perfect World operates in North America, Europe, Japan, Korea and Southeast Asia. Its games include "Perfect World", "Champions Online", "RaiderZ", "Neverwinter" and it has the license for DOTA2 in China. The company has around 4,500 FTEs and listed on Nasdaq in 2007.



**盛大游戏** **Shanda Games** Limited, established in 1999 and based in Shanghai, is a leading developer, operator and publisher of online games. Shanda Games has a diversified game portfolio, which includes MMO games and mobile games in China and in overseas markets. Shanda Games manages and operates online games that are developed in-house, co-developed with external game developers, acquired through investments or licensed from third parties. Its games include "Mir", "Age of Wushu", "Dragon Nest" and "Legend of Immortals". The company has over 2,000 FTEs and listed on NASDAQ in 2009 and received a take-private offer in January 2014.



**网易** **NETEASE**, established in 1997 and headquartered in Beijing, is a developer and operator of online games, e-mail services, advertising services and web portals. The company is focused on the Chinese market and has several offices across China. Its games include "Westward Journey", "Ghost", "Kung Fu Master", "Dragon Sword" and it has the license to operate World of Warcraft in China. The company has around 7,000 FTEs and listed on NASDAQ in 2000.



**畅游** **Changyou**, headquartered in Beijing, is a developer and operator of online games with a focus on MMO games, web games and online game media. Changyou was spun out of Sohu in 2007 and listed on NASDAQ in 2009. Sohu remains the majority shareholder. Its popular games include "WarTune", "DDTank" and "TLBB". The company has around 4,000 FTEs.



**第九城市** **The9** Limited is an online game developer and operator. The9 develops and operates, directly or through its affiliates, its proprietary MMO games including "Firefall" and "Qiji2". The9 also develops and operates web games and social games. The9 has also obtained exclusive licenses to operate other games in mainland China such as Planetside 2.

# Public Game Companies



**Coslight** Technology International Group Co., Ltd was established in 1994 and is an international conglomerate active in manufacturing, mining and more recently the internet. It listed on the HK Stock Exchange in 1999 and has more than 11,000 employees. Its subsidiary Beijing Coslight Online Co., Ltd. entered the field of online games in 2004 and has 800 employees. Another subsidiary, Shenzhen Coslight Tiancheng Interactive Software Ltd, is a professional online game studio with 150 developers. The game platform of Coslight is gyyx.cn. Its games include "Asktao", "Seal Online" and "Myth War".



**Forgame** is a leading developer and publisher of web games in China with a fast-growing mobile games business. Established in 2009, Forgame has developed over 30 games and its publishing platform, 91wan.com, published 79 web games and had over 179 million registered players as of June 30, 2013. The games are also available through an extensive network of more than 350 publishing partners, including Tencent and Qihoo360. All games have an item-based revenue model. Its Action RPGs include "Soul Guardian II", "Legend of Chaos", "The Ninth Heaven", "Generals Saga" and "Conquest the Universe". Its Turn-based RPGs include "Fantasy Immortal", "The Archmages" and "Dream in Fairyland". It listed on HK Stock Exchange in 2013.



**China Mobile Games and Entertainment Group Limited (CMGE)**, founded in 2007 and with offices in Beijing, Guangzhou, Shanghai, Shenzhen, Chengdu and Hong Kong, develops and publishes proprietary and licensed mobile games. The company has a portfolio of 510 single player and 60 social games, mostly for iOS and Android-based smartphones. Distribution takes place via its own distribution platform, handset pre-installation, telecom operators, mobile advertisements and major appstores. Its most popular single-player games include "Kangri Yingxiong Zhuan", "Cut Cut Boom" and "Facebrick". Social games include War Valley, Immortal Wind and Che Che Bomb. The company has over 600 employees and listed on NASDAQ in 2012.



Beijing **Bewinner** Communications Co., Ltd is a mobile value-added service provider and a supplier of software and hardware for the mobile communication industry. It was established in 1997 and has 553 employees. Its game platform is gamecomb.com. Its games include "The Chivalrous Man with a Broken Sword", "Anti-Terrorist Special Police 3", "Ruthless Sword - The End of the Human Society", "Artifact Seven-the Bow of the God Yi". In 2007 Bewinner was listed on the Shenzhen Stock Exchange.



**Kingsoft** is one of China's oldest software companies. The main business lines are online games, internet security and application software. Kingsoft Games has been primarily engaged in the development and publishing of online games of Chinese mythology and martial arts genre. The company has offices in Beijing, Zhuhai, Chengdu, Shenzhen and Dalian and has around 3,000 FTEs.

# Public Game Companies



**Ourpalm** Co., Ltd. was founded in 2004 and develops, publishes, and operates mobile and internet games and also offers related peripheral products. The company also operates portals, including 0708.com (a platform for web games), 1717gs.com (a marketing platform), union.gamebean.com (a mobile game marketing platform) and gamebean.com (a gaming community). It was listed on the Shenzhen Stock Exchange in 2012. It has over 400 employees and has developed 190 games in-house. Its games include "Dark Ages", "Angry Piggy", "Mission Sirius HD", "Project 9: The Underground Aryan City", "Street Cred 3D". In 2013 it acquired mobile game developer Playcrab Technology with popular games "Ninja" and "Big Head".



Shenzhen **ZQGame**, founded in 2003 and headquartered in Shenzhen, makes free-to-play MMO, social and web games, downloadable games and iOS and Android games. It aims to create compelling entertainment experiences across online, mobile and tablet platforms for the hard-core gamer. In 2010, ZQGame listed on the Stock Exchange in Shenzhen. ZQ has acquired over 20 game companies since and has expanded abroad into western markets with the opening of its first overseas office in Silicon Valley. It has over 1,600 employees. Its games include "Shadowland Online", "Final Hour", "Total Recall", "Zesus Online" and "Illusion Online".



**Taomee** Holdings Limited is a branded entertainment company focused on children and families. Founded in 2007, Taomee was the first company in Greater China to develop popular children franchises through online virtual communities. Characters from Mole's World and Seer stories have reached more than 100 million children through Taomee's online communities, books and monthly magazines, apps, carnivals and live events, popular TV animation series and box office movies. Its games include "Mole's World", "Seer", "Flower Fairy" and "Gong Fu Pai". It listed on NYSE in 2011.



**KongZhong** is a provider of digital entertainment services for consumers in China. Headquartered in Beijing, the company has around 1,100 FTEs. The company operates three business units: mobile games, internet games and wireless value added services. KongZhong has exclusive rights to publish "World of Tanks", "World of Warplanes", "World of Warships" and "Guild Wars 2" in China. It listed on NASDAQ in 2004.



**NetDragon** is one of the major players in China's online gaming and mobile internet industry. The company develops and operates MMOs and makes mobile applications. NetDragon is based in Fuzhou, China and has approximately 3,500 employees. Its games include "Conquer Online".



**Giant Interactive** is one of China's leading online game developers. The MMORPGs that Giant Interactive publishes are all F2P and focused on casual and hardcore gamers between 18 and 40. Giant Interactive is headquartered in Shanghai, China and has 1,700 FTEs. Its games include "ZT Online", "Elsword" and "Allods Online".

# Private Game Companies



**第七大道**

**7Road** technology Co.Ltd, founded in 2008, is Changyou.com's majority-owned subsidiary. 7Road is a web game development company focusing on high-tech and high added value. It has more than 600 employees. Its major game are 'DDTank' and "Wartune".



**Renren Games**, founded in 2006, is a subsidiary of Renren, which is a leading real name social networking internet platform in China and founded in 2005. Renren Games offers a portfolio of web-based, cross-platform and mobile games. Its games include "Tianshu Qitan", "War of Souls", and "Luanshi Tianxia".



**Duoyi Network Technology Co., Ltd.**, founded in 2006 and based in Guangzhou, develops and operates online games and network products. It has more than 700 employees, 80% of whom are developers. Its games include "Tankforce", "Dream World", "Dream Emperor", and "Shen Wu".



**9you**, founded in 2003 and based in Shanghai, is a developer and publisher of MMO games. Its MMO's include "Audition Online", "Super Dancer Online TPV", "You Can Dance", "SD Gundam Capsule Fighter". Its MMORPGs include "Butterfly Sword Online", "Concerto Gate", "Monster Forest Online" and "Chinese Paladin Online".



**Hangzhou Electric Soul Network Technology Co., Ltd**, established in 2008 and based in Hangzhou, develops online games. Its games include "Dream Back to the Three Kingdoms".



**Suzhou Snail Digital Technology Co., Ltd.**, (known as Snail Game), founded in 2000 and based in Suzhou, is an online video game developer and publisher. Its games include "Voyage Century", "5 Street", "The Chosen", "Heroes of Gaia" and "Ministry of War".



**Rekoo**, founded in 2008 and headquartered in Beijing, is a developer and publisher of social games. Its games include "Sunshine Ranch", "Sunshine Town", "Dream seabed", "Fishing Holidays", "Fantasy City" and "Backyard of the Three Kingdoms".



**Shanghai Greenshore Network Technology**, founded in 2008 and based in Shanghai, is an entertainment company active in game development, publishing and marketing of web games. Its major game is "Shumen OL."



**Youzu**, established in 2009 and located in Shanghai, is an entertainment company focusing on web and mobile phone games. Currently, it has 10 web games and 4 mobile phone games, with over 600 employees. Its best known game is "Goddess Alliance".

# Private Game Companies



**Beijing Kunlun Wanwei Technology Co.Ltd.**, founded in 2008 and based in Beijing, is China's largest web games distributor. Its three major business lines are game development, a voice communication platform for gamers (Raidcall or "RC") and its Brothersoft software store. The company has more than 1,000 employees. Its main games are "TERA" and "Ragnarok".



**Zeus Interactive**, founded in 2011 and located in Beijing is a publisher of web games. In 2014 it announced a \$400 million reverse take-over of publicly listed Dalian Kemian Wood Industry, providing it with a so-called backdoor public listing. Its major game is 傲剑 ("The Sword").



**Pearl in Palm**, established in 2003 and based in Beijing, is a leading international publisher and developer of mobile games. The company creates games for mobile handsets running on Java, Symbian, Android, IOS and Windows Mobile. It has over 300 employees and its games include "Runes of War", "Tales of Atles", "Ni Tian", "Sha Shen", "Mingzhuxuanyuan" and "Pearl Heroes".



**Wistone Wireless Entertainment Inc.**, founded in 2006 and based in Beijing, is a subsidiary of 3GV8 International Inc. Wistone provides wireless entertainment software for the development of mobile games and entertainment applications. It has 100 employees. Its games include "Call of Champions" and "Bubbles in the Sea".



**Guangzhou Yin Han Technology Company Limited**, founded in 2001 and based in Guangzhou, develops and distributes mobile games. Its major games are "Journey to the West", "Essence of Swords" and "Space Hunter".



**Beijing Chukong Technology Co.,Ltd**, established in 2010 and based in Beijing, was built on CocoaChina.com, the largest iOS developer community in China with 260,000 registered members. The company focuses on developing, publishing and operating mobile games. Its game "Fishing Joy" has 200 million active users. It is the sole agent of Disney, Nexon, Gameloft, Konami and Gamevil in China.



**Linekong Entertainment Technology Co., Ltd.**, founded in 2007 and headquartered in Beijing, is an online game developer and publisher of client, web and mobile games. It employs about 400 people. Between 2007 and 2012, Linekong developed and published 13 client games and web games. Its games include "Journey to the West", "Warrior King", "Daybreak", "Three Kingdoms" and "Excalibur".



**Shanghai Kingnet Technology Co. Ltd**, established in 2008 and headquartered in Shanghai, is a developer and publisher of social games, web game and mobile games. Kingnet has developed games such as "Sole Tower", "Dino Kingdom", "King of Pirate" and "Fishing Tycoon".

# Private Game Companies



**Beijing Ourgame Technology** Co. Ltd., founded in 1998 and based in Beijing is China's leading chess and card game publisher. Its two online game platforms have 300 chess and card games, 300 million registered users and 15 million MAUs. The company has 600 employees. In January 2014 KongZhong made a strategic minority investment in the company.



**Kylin Network Information Science and Technology** Co., Ltd., founded in 2007 and based in Beijing, develops and operates online games. The company develops 3D fantasy/martial arts MMORPG, mobile games, films, and television programs. It has more than 600 employees. Its main games are "Genghis Khan 2" and "Genghis Khan 3".



**Joyport**, established in 2008 and located in Hangzhou, is one of China's leading web and mobile game companies. It is one of the largest browser-based developers and publishers in China, specialized in game development, publishing and distributing. Its games include "Kingory" and "Shards".



**iDreamsky Technology**, founded in 2009 and based in Shenzhen, started as a work-for-hire mobile game developer, but is now a mobile game distributor and operator. iDreamsky has so far distributed almost 100 games. As of April 2013, game products distributed by iDreamsky have been installed on more than 160 million mobile Android phones. Its games include "Fruit Ninja", "Temple Run" and "Brizzle".



**Xingdong** ("Heartbeat"), founded in 2009 and based in Shanghai is engaged in game product, technology and operation. Its XD.com platform offers self-developed and licensed games, billing system as well as customer services. Its main game is 天地英雄 ("The Hero of the World").



**Tiancity**, founded in 2005 and based in Shanghai, is a professional game team under Shanghai Posts & Telecommunications Technology Co., Ltd. Tiancity is also the major agency operator of NEXON in China. Tiancity ranks among the top ten game publishers in China with more than 350 million registered users on its platform. Its games include "Mabinogi", "KartRider / Popkart", "Counter-Strike Online", "Hero", "Tornado Force", "Eve Online" and "Freestyle 2".



**FL Mobile** (Feiliu), founded in 2004 and based in Beijing, is a global mobile game publisher and operator, with a mobile interest-based community platform. FL Mobile is the top iOS mobile game publisher and operator in Chinese market. Its games include "QQYujian-FL Extreme Edition", "City of Splendors", "Gods and Dragons", "The Martial arts champion", "War-flame Online", "Fate of the Western Journey". In January 2014 FL Mobile signed a strategic partnership with Ubisoft.

# Private Game Companies



**LoCojoy**, established in 2011 and based in Beijing, develops games for iOS, Android and Flash in Chinese, English, Japanese, Spanish and Korean. Its games include "Dogs vs Cats", "GoldMiner OL", "Speed Birds", "Crazy Cowboy", and "Let's Guess". Its anime "I AM MT", which is loosely based on World of Warcraft, was the No. 1 grossing iOS game in China in 2013.



**Digital Cloud**, founded in 2008 and based in Chengdu develops and publishes mobile games and MMO games. Its free-to-play iOS game "Dragon Force" was one of the top grossing games in App Store.



**EGLS**, founded in 2007 and based in Beijing, is a mobile game developer and publisher. Its games include 3D MMORPG "Armed Heroes", "Curse of Land Online", "Red Cliff Online" and "Oath of Soul Online".



**Shanghai Muhe Network Technology**, founded in 2006 and based in Shanghai, develops and publishes mobile games and web games. It has recently expanded its business to the US, Russia and Singapore. In 2013, a 64% share in the company was acquired by Phoenix Publisher & Media Company, one of the country's largest media publishing companies. Its games include "Adventure World" and "Avalon Wars".



**Mokylin**, founded in 2011 and headquartered in Shenzhen, started in web games and then expanded into client and mobile games. The company now has 1,000 employees. Its best known game is "Qin Mei Ren".



**Beijing Manyougu Information Technology Co., Ltd**, founded in 2007 and based in Beijing, focuses on the development of web and social games. It employs over 500 people. Its best known game are "7 Lord" and "Empire of Magic".



**Shanghai 37wan Network and Technology Co., Ltd.**, founded in 2011 and headquartered in Shanghai, develops and publishes web and mobile games. It also owns 37wan.com, a web game platform with over 180 games and over 100 million registered users.



**4399 Network Inc.**, founded in 2004 and headquartered in Xiamen, is a web game publisher and owner of 4399.com. This site attracts over 30 million gamers a day.



**Game.yy.com** is the web game operation platform of YY Inc., which listed in the US in 2012. Users can play over 100 online games on its website free of charge, and are able to buy virtual items in game.



**7K7K.com**, founded in 2003, started as a flash game platform. It has a huge amount of small games on a clean website without advertisements.

# Key Game Media Sites



**17173.com**, founded in 2001, is a leading game information portal owned by Changyou.com. Focused on consumers, it provides access to a broad range of online games, as well as game news, forums, tutorials and information, including game charts.



**Duowan.com**, founded in 2005, is owned by YY Inc. It provides news, event announcements, downloads, and informs consumers on new game releases. It provides a discussion forum and video insights on a range of client, web, TV, single player, and flash games.



**Sina.com.cn**, founded in 1998, is SINA's game media portal. It provides information and updates on online and PC games for consumers, and offers user ratings, as well as downloads. It offers comprehensive analysis of industry trends and developments.



**07073.com**, founded in 2002, provides consumers information, news and reviews on web games. It's database of over 1,000 web games is updated in real time. It posts over 50 original articles daily, including interviews with game developers.



**Games.qq.com**, founded in 2007, is Tencent's games channel. It provides consumers information and news on a range of web and video games. Game demos are also provided, as is access to a large amount of online games.



**YZZ.cn**, founded in 2003, was acquired by Chuanli Science and Technology Communication Ltd in 2005. Originally created by game fans as a game forum, it now provides consumers with a games library and search functionality to find and rate PC and web games.



**Game.163.com**, a game portal owned by NetEase, is one of the many news channels on 163.com, a popular news portal in China. It gives businesses and consumers news and updates on the games industry via articles and videos.



**Gamefy.cn**, started in 2004 as a TV channel and developed into a company in 2012. It's website offers consumers industry news and original videos about console, leisure, mobile and online games and eSports, and access to a large online games portal. Gamefy TV is China's only paid games TV channel, which reached over 50m people in 2013.



**265g.com**, founded in 2007 from Wuhan Youxi Network Technology, provides consumers with analysis of industry developments and trends, combined with news, games, videos, a web game forum, and links to games.



**DoNews.com**, founded in 2000, is an IT writing community. Game.donews.com is DoNews' game channel. It has a range of original articles featuring industry news, analysis and interviews of interest to businesses.



# Internet Search Engines



**Baidu** is China's leading search engine where users can find information using Chinese language search queries. Based on proprietary search engine technology, Baidu built a database of Chinese synonyms and associated phrases to accurately and efficiently execute Chinese language searches.



**Sogou Search** (Search Dog), launched in 2004, is owned by Sohu, a leading Chinese online media, internet, gaming and mobile services group. Sohu's own browser, Sogou, has a large user penetration rate in China. In 2013, Tencent merged its search engine Soso.com with Sogou. Soso.com was launched in 2006.



**360 Search** was launched in August 2012 and is owned by Qihoo 360 Technology Co. Ltd, a provider of internet security products and services. It made 360 Search the default search engine on the 360 Browser, which has a very strong user penetration rate in China. Wan.360.cn is the company's game website, which had over 60 million registered users by the end of 2013.



**Google** launched a Chinese-language version of Google.com in 2005 and in 2006 officially entered China with Google.cn. Google failed to reach an agreement with the Chinese government about the extent of self-censorship however, and in 2010 left the mainland to re-locate to Hong Kong.



**Yahoo!** launched Yahoo! China in 1999. In 2005, Yahoo! obtained a 40% stake in Alibaba in return for selling its Chinese business and an additional \$1 billion cash investment. Alibaba is one of China's leading internet companies with a focus on e-commerce, with operations resembling a mix of eBay, Paypal and Amazon. In 2012, Alibaba Group bought back half of the stake for \$7.6 billion and in 2013 Alibaba Group closed Yahoo! China's web portal and announced it would gradually stop using Yahoo-branded properties.



**Youdao**, launched in 2007, is an internet search engine owned by NetEase. Other services offered by NetEase include email, instant messaging, price comparison (Huihui.cn), online dictionary (Youdao Dictionary) and cloud note-taking applications (Youdao Cloudnote).



**Bing**, the Chinese version, was launched in 2009 by Microsoft, specifically targeted at web users in mainland China. The Chinese version has been named "biying" which means "must respond", but it has remained a very small player.

# Handset Manufacturers



**lenovo** **Lenovo**, formerly Legend Holdings and founded in 1984, became internationally known after it acquired the PC division of IBM in 2005. Lenovo is now the world's second largest PC vendor and China's second largest smartphone company. Lenovo also makes tablets and smart TVs. It has more than 30,000 employees in over 60 countries. Lenovo listed on the HK Stock Exchange in 1994.

**Coolpad** **Coolpad** is the mobile phone brand of Yulong Computer Telecommunication Scientific (Shenzhen) Co, Ltd, which is a wholly owned subsidiary of China Wireless Technologies Limited. Founded in 1993, Yulong provides integrated solutions for smartphones, mobile data platforms and value added business services. Yulong is China's third largest smartphone company with over 3,000 employees. China Wireless Technologies Limited is listed on the HKSE.

**ZTE中兴** **ZTE** Corporation (Zhongxing Telecom Equipment), founded in 1985, is a provider of telecommunication equipment and network solutions, with operations in 160 countries. ZTE has over 78,000 employees. ZTE was listed on Shenzhen Stock Exchange and HK Stock Exchange in 1997 and 2004 respectively.

 **HUAWEI** **Huawei**, founded in 1987, is a global telecoms equipment manufacturer. Huawei sells its products in over 140 countries and in 2012 surpassed Ericsson to become the world's largest telecoms-equipment-maker, despite having difficulty doing business in the US because of security concerns due to its alleged close relationship with the Chinese State. By the end of 2012, Huawei had 150,000 employees, of which 45% were working on R&D. Huawei is a privately held company.

**GIONEE** **GioNee** Communication Equipment Co. Ltd, founded in 2002, manufactures mobile phones and related products. It has 1,500 employees and is privately owned.



**K-Touch** is the mobile phone brand of Beijing Tianyu Langtong Communication equipment Co. Ltd, located in Beijing. Founded in 2004, Tianyu now has around 2,000 employees. Its mobile phones are sold to more than 22 countries. The company is privately owned.

**oppo** **OPPO** Electrics Corp, founded in 2004, is an electronics manufacturer making products such as MP3 players, LCD-TVs, DVD players and mobile phones. OPPO entered the mobile market in 2008. OPPO is privately owned.



**Xiaomi** Inc., founded in 2010, is a mobile internet company that designs, develops and sells smartphones and related services. Its core products are Xiaomi mobile phone, MIUI and MiTalk. MIUI is Android based operating system. MiTalk is a mobile social application. In August 2013 the company hired a senior Google executive, previously responsible for Android, to lead its international business development. Xiaomi is privately owned and backed by several investors, including Temasek of Singapore.