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CHINA ONLINE AND MOBILE GAMING 2008-2010



SUMMARY



China's online game industry has entered a boom period, with online game operators generating increasing revenues and a growing number of new entrants coming to the market every year. Sales revenues achieved by online game operators totaled RMB 10.57 billion (\$1.55 billion) in 2007, and the figure is expected to reach RMB 12.67 billion (\$1.86 billion) in 2008 and RMB 18.21 billion (\$2.67 billion) in 2010. At present, there are some 120 gaming operators running approximately 200 online games in China. Shanda, Giant Interactive, NetEase and The9 are China's top four online game operators in terms of revenues.

The majority of online game revenues in China come from massively multiplayer online role-playing games (MMORPGs). However, casual games are becoming increasingly popular, which are usually easier to pick up and less time-consuming. Web games, due to their ease of play and method of access, have become popular among office workers and are considered to offer great potential for in-game advertising due to the strong purchasing power of its user group. Web game companies are attracting venture capital investment and large Chinese portals such as Baidu have started to explore the Web game market.

In 2007, revenues generated by Java and BREW mobile games reached RMB 777 million (\$113.3 million). Java/BREW mobile game revenues are expected to maintain their high growth momentum and reach RMB 1.29 billion (\$188.1 million) in 2008 and RMB 3.16 billion (\$460.77 million) in 2010.

Although there are almost three times more handset users than Internet users, those who play online games on their handsets make up a very small proportion of handset users. The mobile online gaming segment generated revenues of RMB 120 million (\$17.5 million) in 2007. The year 2008 is likely to be a turning point for the online mobile game market, in terms of rapid expansion due to the upcoming launch of 3G services in China. Revenues from the online mobile game market in China is expected to almost triple to RMB 380 million (\$55.65 million) in 2008. Mobile game companies are likely to see another wave of investment between 2008 and 2010.

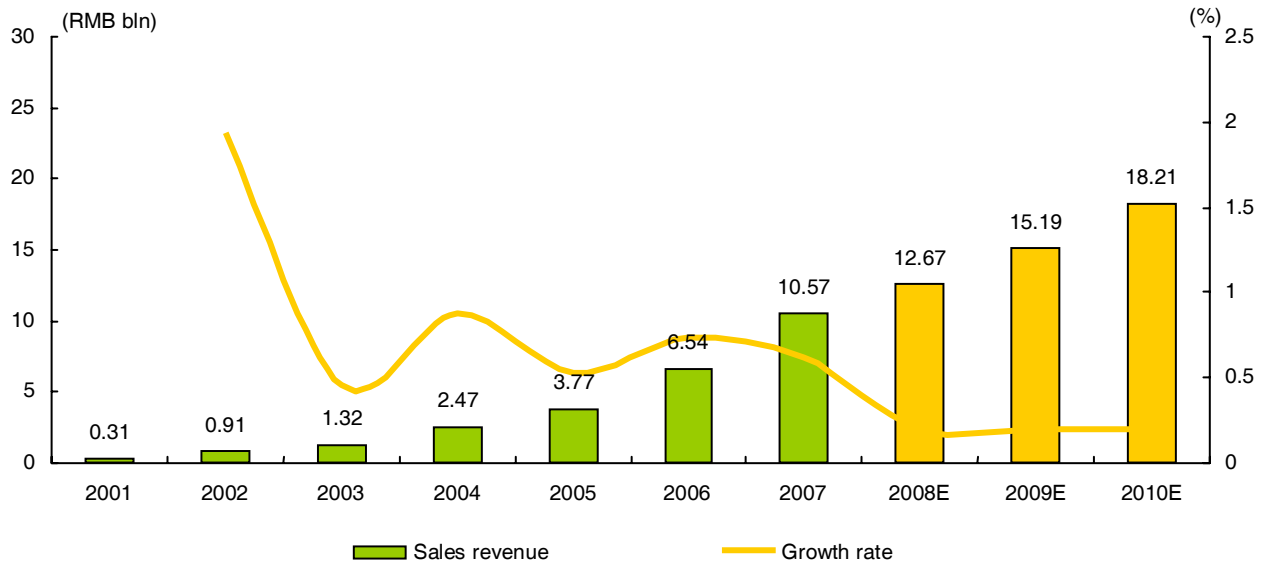
Not only has the market seen a huge transformation, but the profile of the country's gamers has also evolved since the sector was in its initial stages of growth. The proportion of female gamers is on the rise, and online gaming is now not just the preserve of urban residents. New games are being launched at a fast pace, while the loyalty of gamers to particular titles is a rare commodity.

For both the online and mobile gaming sectors, in-game advertising is a hot spot for generating revenue, which is especially true for the free-to-play online gaming model that has gained popularity among many Chinese gamers. Leading game operators such as Shanda are paying increasing attention to the in-game advertising market. Mergers and acquisitions are commonplace among in-game advertising companies while Focus Media and Bihu Technology are gearing to dominate the market. However, technology still poses a key problem in China's in-game advertising industry.

On the policy side, the government is concerned over the content of the games enjoyed by large numbers of China's youth, which may contain violence, gambling and pornography, and policy making decisions will likely focus around these issues. It is also possible that China will put a cap on the number of overseas games released in the country where around 70 percent of new online games are from overseas. The positive news for Hong Kong online game developers is that the government will likely relax restrictions on Hong Kong-developed games entering the mainland as economic ties between the two regions strengthen.

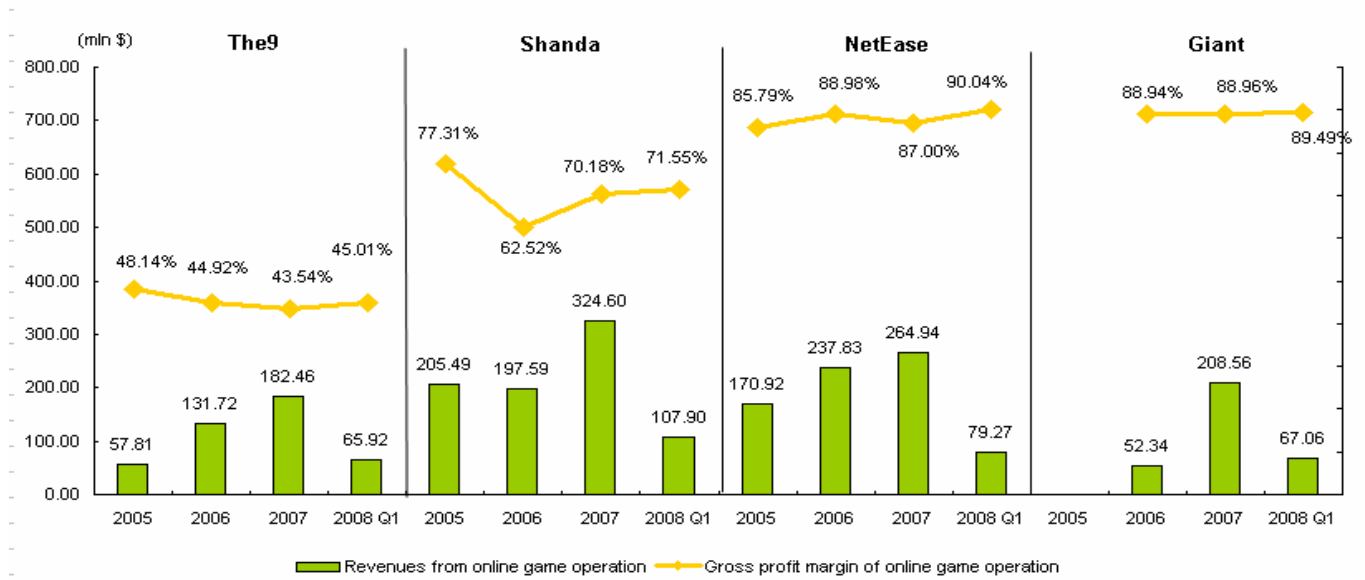
Below are statistics taken from the report *China Online and Mobile Gaming Industry, 2008 - 2010*.

Sales revenue of China's online game industry, 2001 to 2010



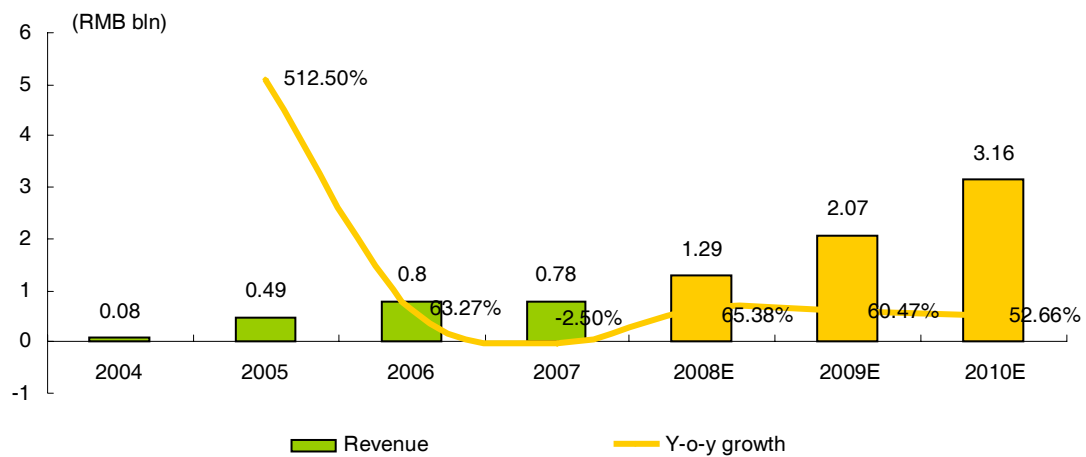
Source: CGPA & IDC, Interfax research

Comparison of top four game operators' gross profit and revenues from game operation



Source: SEC, Interfax research

Sales revenue of China's Java/BREW mobile gaming industry, 2004 to 2010



Source: Analysys International, *Interfax* research

To further our clients' understanding of this exciting and fast-paced industry, *Interfax China* is proud to offer *China Online and Mobile Gaming Industry, 2008 - 2010*. The report, which is produced by the telecommunications, media and technology sector team, provides a comprehensive overview of China's gaming industry. Major players are profiled in depth, while current and emerging trends are examined. This, combined with *Interfax China's* indispensable statistics and analysis, will put you firmly in the game.

FREE UPDATES

The *China Online and Mobile Gaming Industry, 2008 - 2010* report will be updated twice - in January 2009 and August 2009. The updates will be delivered to you FREE OF CHARGE.

The updates will include new policy changes, new statistics on market size and market share in online and mobile gaming, the latest developments of major industry players, a forecast of industry trends and key factors to watch for in the next six months.

The *China Online and Mobile Gaming Industry, 2008 - 2010* updates will touch on the following issues:

- Is real name registration effective in helping the Chinese government enforce the online game anti-addiction system?
- Does the offering of games bring more revenues to Web communities and help them to increase the loyalty of their members?
- Will 3G bring about the convergence of online games and mobile games?

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