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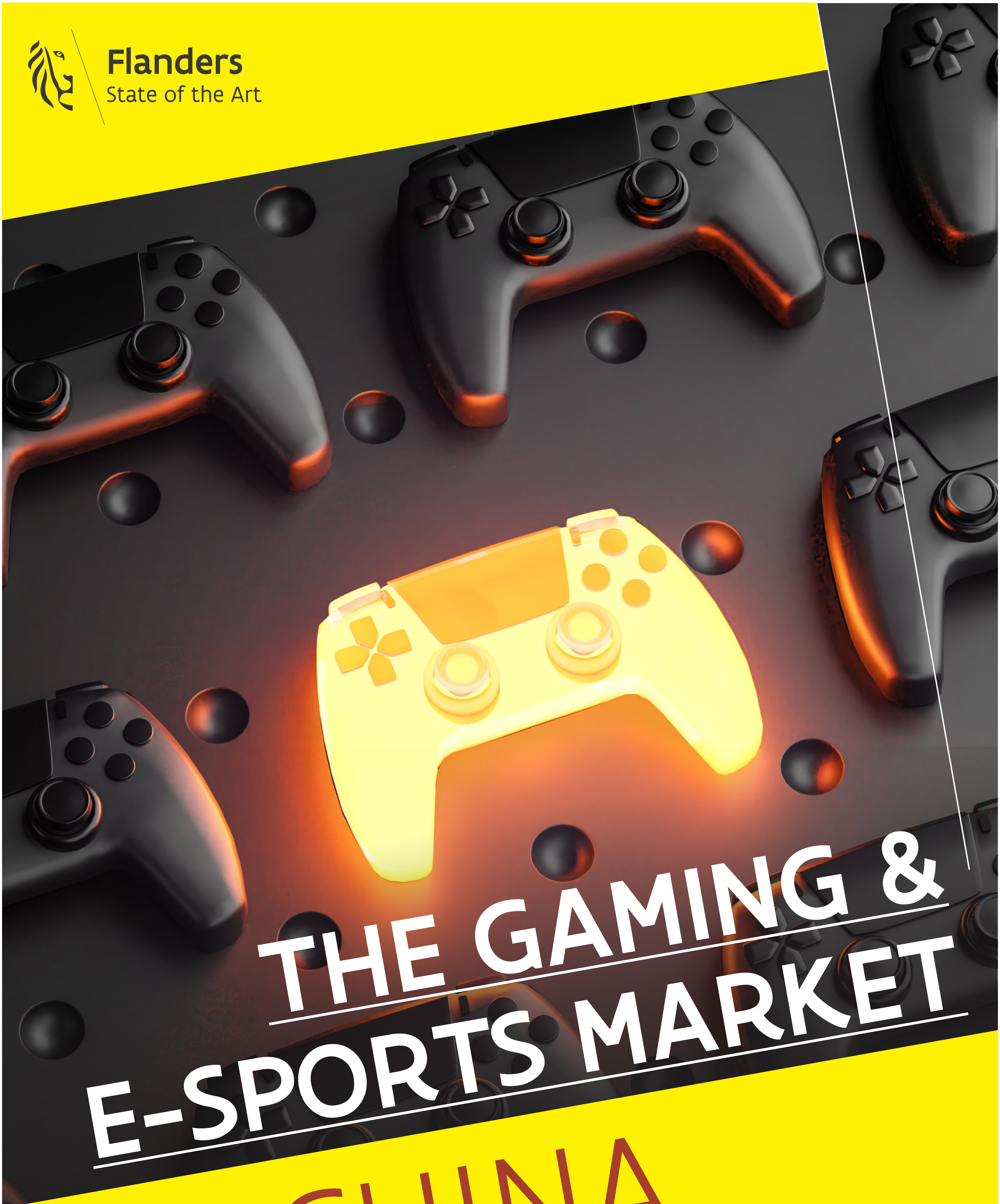

THE GAMING & E-SPORTS MARKET IN CHINA

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1. REPORT SUMMARY

With more than 665 million gamers as of 2021, China is the biggest market in the world in terms of video games. Fostered by the country's digitalization, the younger generation is at the core of this increasing demand. Following the COVID-19 crisis that has spurred app usage and video games all across the world, the Chinese market is one of the most promising in the world for gaming companies that want to expand their activities abroad.

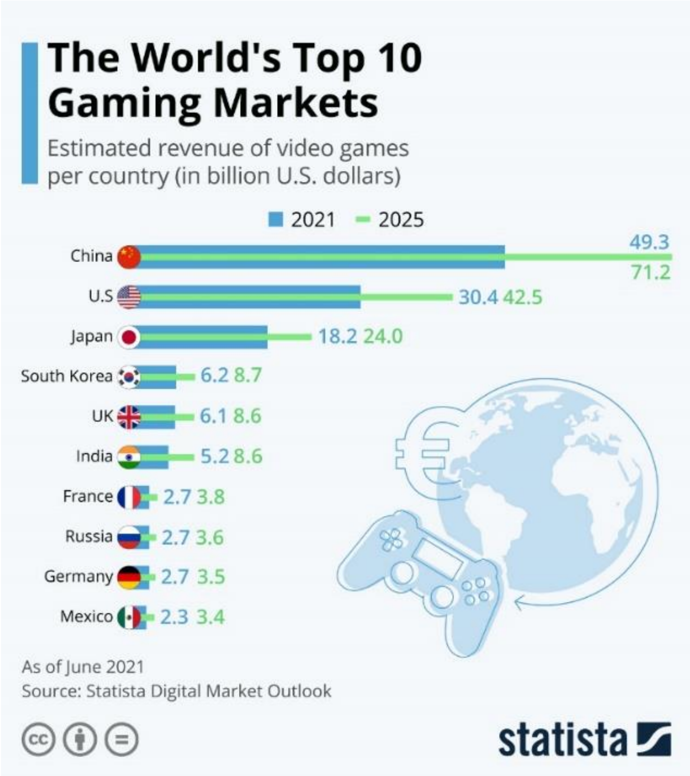
In order to understand the impact video games can have in China, this article will go through some specificities of the Chinese gaming industry and its evolution over the years. Then, we will explain how to take advantage of this market to promote your gaming company in China.

2. CHINA'S GAMING MARKET OVERVIEW

As the leading market worldwide in terms of video games, China was able to take advantage of this industry contributing to its growth over the years. China is in fact attracting many foreign gaming companies that want to expand their activities in one of the most digitalized countries in the world.

Consoles were accessible only in the 90s but were too expensive for the majority of the population. However, a few years later as the Chinese market was increasingly internationalized, video games were cheaper and console sales grew significantly. But, following this quick growth, China's Ministry of Culture was convinced that playing video games was harmful to society, which led to an outright ban in 2000 that mainly affected gaming companies such as Sony, Sega, and Nintendo. On the other hand, computer games were still allowed, which contributed to the success of internet cafés.

The Chinese population had to wait until 2015 before the ban was fully lifted up, and Microsoft's Xbox One was the first to have an official release in Mainland China. Since then, the video game industry has skyrocketed in China and is described as the "Games Industry Capital of the World".

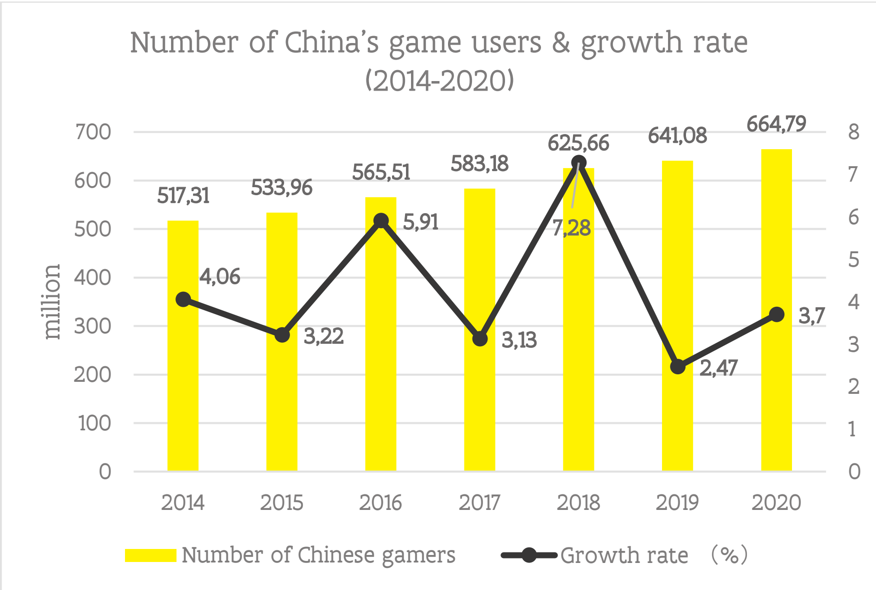


China is still the leading market in the gaming industry, followed by the United States. Because of its market size, what is known as the "Games Industry Capital of the World" is the headquarters of some of the largest video game companies such as Ubisoft, Bandai Namco, Sony, EA, etc. However, the competition is getting tougher, especially between China and the United States.

2.1 MARKET SIZE

China's gaming industry has developed in leaps and bounds. In 2020, almost 665 million Chinese players spent over RMB 278 billion (€ 38.59 billion) on video games, with a year-on-year growth rate increase of 20.71%. This phenomenon can be explained by the growth of the Chinese consumers' purchasing power over the years, as well as giant Chinese investments that have spurred game entertainment.

In 2020, the number of game users in China maintained a steady growth, with the user scale reaching 665 million people, an increase of 3.7% year-on-year.

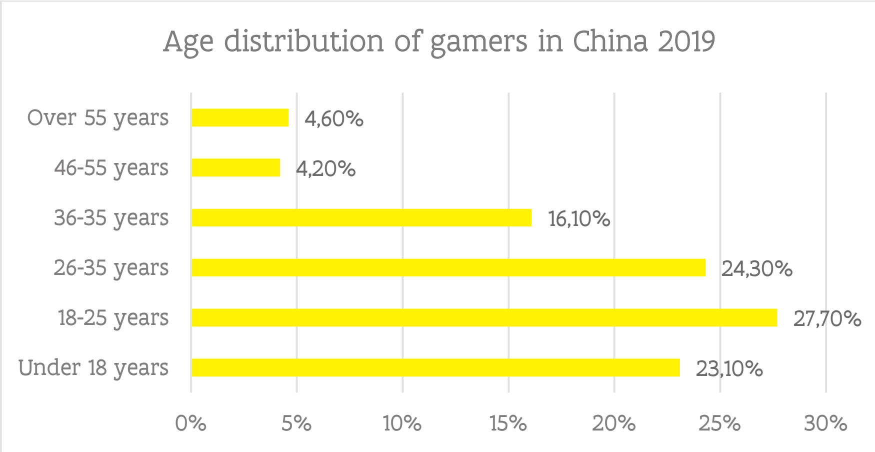


2.2 AGE DISTRIBUTION OF GAMERS IN CHINA

Following China's economic development based on its workforce, people had long working hours every day, tough competition, high pressure at school, and thus needed to relieve stress during their leisure time. So, as a means to escape the hassle and stress of life, the younger generation turned to video games, which greatly contributed to its growth during the last few years.

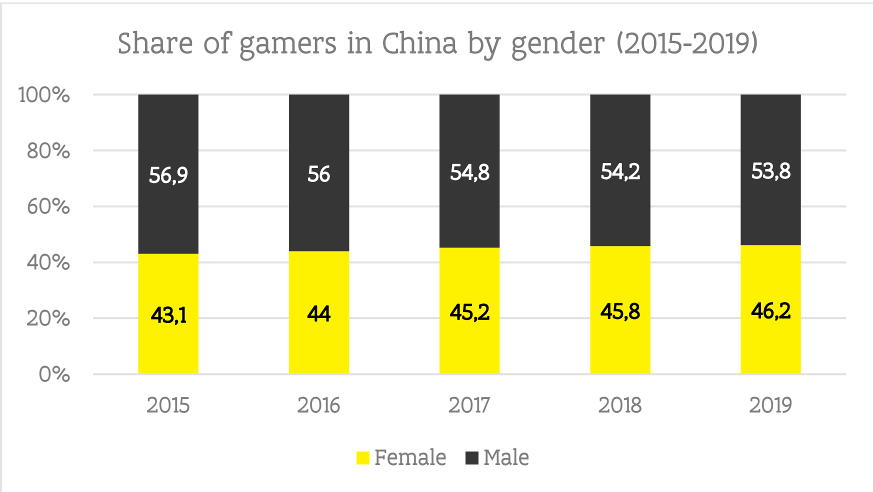
Moreover, video games are conceived in a way to attract players, by offering daily items and rewards, encouraging them to open the game at least once a day. Mobile games are also easily accessible as almost everyone has a smartphone. Playing on the way to work has become a habit for many citizens.

Chinese gamers are in general young players who have grown up using technological devices and are thus more inclined to play with their friends and classmates. That's why this industry is now at the core of debates about young players addicted to video games. Regulations recently issued by the Chinese government will be introduced later in this article.



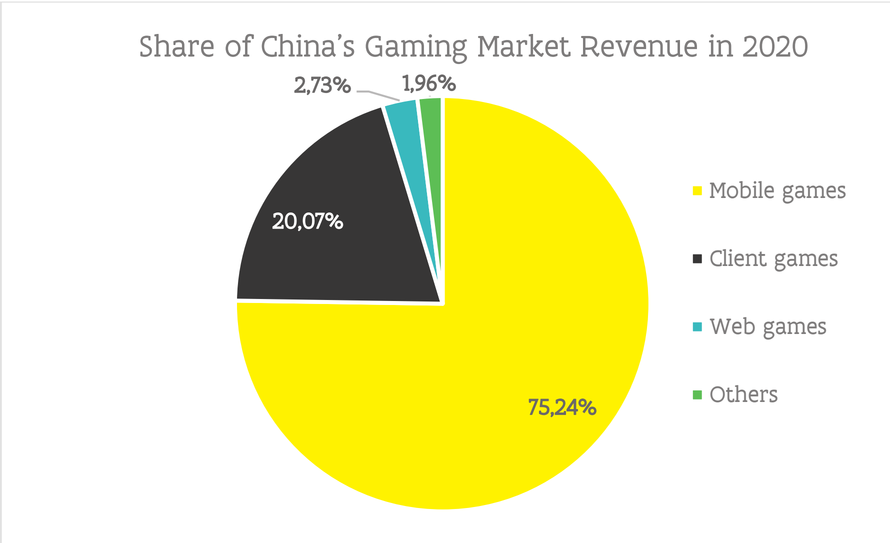
If we look at the age distribution of the gamers in China, the majority of them are aged between 18 and 35 years old. But, the appeal of video games has expanded to older age groups over the years, as gamers aged above 46 years old accounted for about 8.8% of gamers. So, the older generation is not at rest.

Following the growth in popularity of the gaming industry, the number of female players has been increasing over the years. As of 2019, women accounted for 46.2% of gamers in China. Over half of them played multiplayer online battle arena (MOBA).



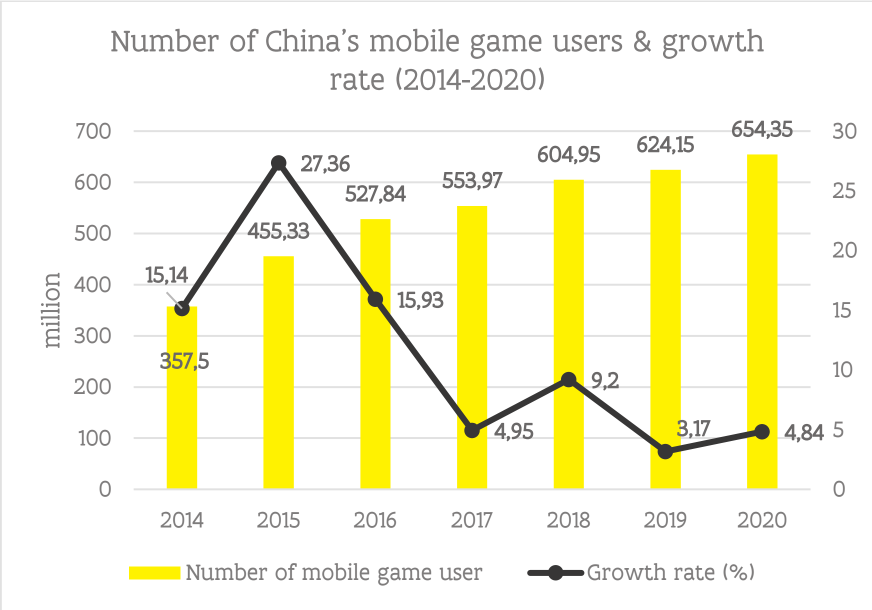
3. SEGMENTS OF CHINA'S GAMING MARKET

In recent years, the mobile gaming revenue accounted for the main share of the gaming market and continued to rise, while the client gaming market and web gaming market continued to shrink, and the actual sales revenue and market share declined significantly. In 2020, the actual sales revenue of China's mobile gaming market was RMB 209.676 billion, accounting for 75.24% of the total; the actual revenue of the client gaming market was RMB 55.92 billion, accounting for 20.07%; the actual revenue of the web gaming market was RMB 7.608 billion, accounting for 2.73%.



3.1 MOBILE GAMING MARKET

The mobile gaming segment in China is expected to witness significant demand due to the country's growing mobile gaming population. The majority of players are concentrated in tier-2 cities in China, such as Chengdu and Wuhan. The availability of affordable smartphones is further likely to prompt a shift from the current feature of mobile phone users to smartphones.



The number of mobile players has increased over the past a few years, while the number of PC client gamers started to decrease. The mobile gaming boom has so far produced a number of highly reputed games, enticing more players day by day.

3.2 CLIENT GAMING MARKET

In 2020, the actual sales revenue of China's client gaming market was 55.92 billion yuan, a decrease by 5.594 billion yuan over 2019, a year-on-year decrease of 9.09%.

Even though console games are less popular than mobile games, they are still lucrative for gaming companies. Chinese players are using the same consoles as in Western countries, such as the Nintendo Switch, Playstation, Xbox, PSP, etc. When it comes to the games, they tend to buy them on online platforms or even directly on online stores to have a dematerialized game.

3.3 WEB GAMING MARKET

In 2020, the opening volume of web gaming products shrank, and the overall market continued to decline. The actual sales revenue of China's web gaming market was only 7.608 billion yuan, a decrease of 2.261 billion yuan over 2019, a year-on-year decrease of 22.9%, and the year-on-year growth rate showed a downward trend year by year.

4. EXPORTS & IMPORTS OF CHINA'S GAMING INDUSTRY

In 2020, the scale of "Games Go Abroad", China's independently developed gaming products exports, were further expanded. The actual sales revenue of independently developed games in overseas markets was USD15.45 billion, a year-on-year increase of 33.25%, and a year-on-year growth rate increase of 12.3%. The internationalization level was further improved.

The scope of game exports have gradually shifted from Hong Kong, Macao, Taiwan and Southeast Asia to the world. While making efforts in mature markets such as the United States, Japan, South Korea and Europe, it has actively explored emerging markets such as the Middle East, India, Russia and Brazil.

The types and themes of exported games are also gradually enriched. Multiple cooperation modes coexist, such as introduction and development of game copyright, overseas agencies, acquisition and equity participation and joint development. Taking online games as the carrier and benefiting from the internet, the “Games Go Abroad” has broken through the global capital and technical barriers. Domestic games successfully created a number of excellent Chinese gaming brands through the strategy of creating high-quality original games, with differentiated product positioning and excellent game quality, promoting the specialization, localization, and efficient R&D and operation system of domestic gaming enterprises.

With the changes of the international situation, Chinese gaming enterprises are also affected by uncertain factors from all aspects. The game exports will face a new pattern of coexistence of opportunities and challenges.

According to the report on China’s gaming industry in the first half-year of 2021, the sales revenue of imported games from Europe reached RMB 7.72 billion, accounting for 5.13% of the actual sales revenue of the whole Chinese gaming market. Among the top 100 mobile games by sales revenue in China, there are only 3 mobile games from Europe, accounting for 1.2%, a slightly lower proportion.

4.1 REPRESENTATIVE GAMES FROM DIFFERENT REGIONS (IN NO PARTICULAR ORDER)

- Monument Valley series is one of the British games that, at present, performs well in China’s gaming market. According to Sensor Tower data, the operation revenue of the game in the first half of 2021 exceeded RMB 0.8 million, accounting for about 2/3 of its global income. It attracted attention upon launch because of its highly artistic pictures, soundtrack, and its unique perspective of gameplay.

- Ubisoft’s “Just Dance” has launched a number of dances for popular Chinese songs and enhanced the gaming experience through the WeChat app, which is more in line with the usage habits of Chinese game consumers.

- Widely concerned and loved by gamers, “Asphalt 9: Legends” developed by Gameloft has long ranked among the top 10 in the racing category of the Apple App Store in China. Its various game contents are loved by a large number of Chinese players. According to Senser Tower data, the game exceeded RMB 12 million in the first half of 2021, and the number of downloads exceeded 3 million.

- Many games of Finnish companies Supercell and Rovio are popular in China. Supercell’s “Clash of Clans” and “Clash Royale” have held many e-sports competitions in China and received long-term attention from Chinese players. According to Sensor Tower data, the operating revenue of these two games in the first half of 2021 exceeded RMB 190 million and RMB 80 million respectively.

- Rovio’s Angry Birds series has been sought after by Chinese gamers for a long time. It has long ranked in the top 10 puzzle games in the Apple App Store and was recommended by major app stores in China.

- Many games of Playrix, a Russian game company, have had excellent performance in China. The total revenue of “Gardenscapes”, “Homescapes” and “Township” in the first half of 2021 exceeded RMB 470 million, among which “Gardenscapes” and “Homescapes” ranked the top 100 in revenue among China’s mobile games in the first half of 2021.

5. COMPARISON OF THE CHARACTERISTICS OF THE CHINESE AND EUROPEAN GAMING INDUSTRY

China		Europe
China promulgated a number of laws and regulations on the protection of minors and the age-appropriate tips of online games.	Policy environment	The European gaming industry started comparatively early, and has established a perfect review system, and standardized game content management through the rating system.
Policies to introduce game enterprises have been launched in many places in China.		Many European countries provide government subsidies to the gaming industry.
China's gaming industry is entering a mature stage. The application of artificial intelligence, big data, 5G, cloud computing, and other technologies has brought a new round of industrial R&D innovation.	Comprehensive R&D capability	Europe has a solid overall gaming R&D capability. Perfect gaming education is essential for talent supply in the gaming R&D in Europe.
In terms of game engine technology, there is still a certain gap between China's overall technology and the leading international level. But more and more Chinese gaming companies are committed to the R&D of engine technology.		A large number of European gaming companies have their own core technologies.
China's distribution channels of mobile games are characterized by diversification. Mobile terminals include the App Store, hard core channels and platform channels.	Distribution Channels	Unlike China's mobile gaming distribution channels, almost all those in Europe are system-centered, such as Apple App Store and Android Google Play.
There are relatively few distribution channels in China's client gaming market, including Steam China, WeGame, Suguo and other platforms. The internet café scene also provides a convenient distribution and promotion path for client gaming products.		The development of client gaming distribution channels in Europe is more stable, including Steam, Epic, GoG and other major game platforms. The ecology of the console gaming market is mature and perfect, and Sony, Microsoft, Nintendo, and other console platforms have a good user base and influence.
Over half of Chinese gamers are willing to spend money in games, and the overall willingness to spend is strong.	Users' Consumption Habits	European gamers are more willing to consume than those in China. Among them, the consumption demand for console games is comparatively high.
Third-party payment service providers such as WeChat Payment and Alipay provide convenient payment services for the online gaming industry, which makes it much more convenient for users to top up game accounts.		Prepaid cards are more popular among European gamers.

6. CHINA'S E-SPORTS INDUSTRY

6.1 DIFFERENCE BETWEEN GAMING AND E-SPORTS

Gaming influencers are too often confused with e-sports athletes, and many can't really tell the difference between a gameplay live stream from one or an e-sports match. While these two verticals do stem from the same medium of video games and often overlap and feed off each other, there are some significant differences between gaming and e-sports.

Gaming is about Entertainment While gaming does include titles that are played competitively by e-sports teams, all of the gaming happens outside of officially sanctioned competitions. It serves the primary intention of pure enjoyment and entertainment. Most streamers spend the average workday behind a computer playing video games and entertaining their fan base. They are entertainers creating content for an audience who enjoys watching, and they are good at it. But that doesn't make them e-sports athletes. Gaming is also inclusive for individuals playing games with friends or solo, just for fun, whether they are played on a console, PC or mobile device.
E-sports is a Sport E-sports are multiplayer video games played competitively for spectators by professional gamers. The primary intention of an e-sports athlete is to excel at playing a certain game. They spend their days practicing, learning new strategies, and perfecting team coordination in order to be the very best at a specific video game title. E-sports athletes are systematically trained like professional athletes that compete in any other major sports leagues. E-sports tournaments are high-stake events where fans will show up and watch in person, just like any other sport. Still, the majority of viewership happens on live streaming platforms. This is a shift from the major broadcast channels that have hosted traditional sports for the past several decades. E-sports have, in a way, turned video games into something that is professionally organized and monetized as a media event.

6.2 E-SPORTS MARKET IN CHINA

As the leader in the gaming industry, Chinese players are more involved than before in online competitions, especially in e-sports. In fact, China has been a major factor in the growth of e-sports both in terms of talents and revenues. Brands are now recognizing the potential of video games as a marketing tool, with various international brands such as Nike and Puma sponsoring e-sports gaming teams.

In December 2020, e-sports was listed as one of the official events of the 2022 Asian Games to be held in Hangzhou, and e-sports is on its way to be a discipline at the Olympic Games.

China was the first to develop a stadium entirely dedicated to e-sports: the Zhongxian Stadium in Chongqing which has more than 7000 seats. The e-sports industry is going even further with several schools for e-sports across the country.

6.3 TRENDS SHAPING THE CHINESE E-SPORTS LANDSCAPE

How does a country that banned gaming consoles for 15 years in the early 2000s now generate more than one-quarter of gaming revenues worldwide?

6.3.1 The National Sport: Centrally Promoted and Encouraged

No government has publicly backed the growth of e-sports more vigorously than the Chinese. The link between sports and the state is closer than in the rest of the world, as China has implemented a centralized approach for elite development. The government is pushing e-sports growth domestically as a source of national pride, and unlike soccer or other popular consumer sports, China has a dominance within e-sports. The state is eager to capitalize on this and success so far are a medium to craft nationalism.

Chinese teams now regularly compete on the global stage, and win, claiming victory in competitions such as the League of Legends World Championship. This success is a proven way to demonstrate China's soft power and international goodwill.

Despite restrictions in console sales in the early 2000s, along with online gaming curfews for minors and approval of new games, e-sports grew through new policies and wide-ranging investment. This was supported further after being officially deemed a profession by the Chinese Ministry of Education in 2016.

E-sports towns and cities are popping up, established by local authorities as to compete with each other, while the mega-city Shanghai has a genuine ambitions to become the e-sports capital of the world. In 2020 and 2021, the city hosted the "League of Legends World Championship", one of the biggest events on the e-sports calendar. The venue, named the

Shanghai International New Cultural and Creative E-sports Center, will cost 5.8 billion yuan (USD898.2 million) and span 500,000 square meters. It is designed to be a hub where e-sports teams and companies can be based and will have a hotel attached. The e-sports hub is expected to open in 2024, according to local media. SuperGen, the Chinese parent company of the e-sports team Edward Gaming, is the main backer of the Shanghai complex.

Adding to this, Hainan launched a USD150 million development fund to transform the island through e-sports, and Hangzhou is putting together an 80,000 square meter e-sports complex.

China has called on its domestic tech giants, most notably Tencent and Alibaba, to further support and investments, with Tencent's CEO committed to help Shanghai achieve its capital goals. And there's been a big win for talent development as Chinese universities are launching new modules and majors in e-sports.

6.3.2 Money Reaching New Areas

Sponsorship within e-sports is becoming increasingly developed, although there are still only a handful of teams that are generating a profit on an annual basis in China.

The supply chain is broken into three levels and somewhat out of balance. The top level includes game publishers like Tencent, Netease and Blizzard Activision. This tier alone represents 89.2 % of the Chinese e-sports industry's revenue, including income from game titles and tournaments. The publishers have complete control and leave little on the table for the next two levels.

Next down the pyramid are the leagues, teams and livestream platforms, consumer-facing brands, who are actually building the sport on a daily basis. Their revenues, especially leagues and clubs, are predominantly split across broadcast rights and sponsorship deals with local and global brands.

The bottom tier are peripheral areas that touch the sport, including the facilities, the merchandising, education and surrounding events. The first level of the supply chain is slowly becoming saturated, and there is a recognition that for the industry to become more sustainable, the second and third levels will need to expand.

For overseas teams, there is significant interest from Chinese live streaming platforms, especially Douyu, Bilibili and Huya, to invest in the highly valuable broadcast rights. The competition between these platforms to attract new users to their channels means that it is now the optimal moment to market that live content. Within the streaming platforms, there are further revenue opportunities including advertising revenue on broadcast content and also virtual gifts, a trend more advanced in China than the rest of the world.

Beyond this, brands are using e-sports sponsorship in order to develop their reputation overseas and domestically, especially if the team has a China connection or Chinese players.

6.3.3 Uniquely Linked to China's Culture and Customs

The country now boasts a gaming population of over 500 million with 26 per cent of internet users watching e-sports monthly, that is more than double the level in the US.

Predominantly a one-child nation with a reputation of gold medal athletes across individual sports, China was uniquely positioned as a potential leader when e-sports began to rise to prominence. Not only are the entry barriers low, but physical capabilities play a reduced role. China wants to develop e-sports as a part of its national identity.

China's digital revolution came early with the country seamlessly integrating the digital age better than most others. Chinese children are born holding a mobile phone but it is rare to see outdoor pitches filled with people playing traditional sports. The internet cafes also played a crucial role in the development of e-sports back in the 1990s and 2000s. Popular with younger audiences to escape from student life, these cafes became a digital bar of casual and competitive gaming, providing them with high speed connectivity and a sociable, safe environment. Now in a 5G era, the growth has accelerated across the country.

E-sports is part of the social fabric for the Chinese youth. Being an e-sports player can be 'cool', socially accepted, and deemed a worthwhile job if you are good enough.

6.3.4 Driven by Tech Empires

E-sports are government-backed and run by the domestic tech giants. This is predominantly led by Tencent, the leading global e-sports organization, as well as a small number of organizations that control the landscape.

Tencent owns Riot Games, the maker of League of Legends, and Penguin E-sports – the livestream platform – as well as holding investments in Epic Games, Activision Blizzard, Supercell, Ubisoft and many others. Similarly to its restructuring of the LEC (League of Legends European Championship) and LCS (League of Legends Championship Series) tournaments, Tencent and Riot Games established a joint venture which manages the League of Legends Professional League in China, including tournament operations, ticket and talent management, as well as digital promotion.

Tencent's revenue hit USD15.2 billion, of which gaming was responsible for USD5.26 billion. There was significant growth due to the impact from COVID-19, as well as investments in domestic games and Western e-sports properties. These all led to mobile games becoming Tencent's largest single revenue generator.

Alibaba invested USD150 million in the International E-sports Federation in 2016 to create the 'Olympics of e-sports'. This is yet to profit though, with the business model already shifting after being announced as the world's highest paying e-sports tournament in terms of prize money. Beyond Alibaba and Tencent, ByteDance has formed its own gaming business, and is looking to launch its own game store that will sit inside its existing apps and leverage billions of users.

6.3.5 Long-term Upside from the COVID-19 Lockdown

Most industries were hit hard financially during the pandemic, yet gaming fared slightly better. Q1 2020 earnings from popular streaming platforms saw Douyu's total revenue reach USD330 million – a year-on-year increase of 53%. Huya also achieved a notable increase reaching USD340 million, an annual increase of 48%.

It is not just the financials looking healthy, viewership has spiked too. The Overwatch League (OWL) scored a record high in viewing performance since the establishment of the alliance in

2018 across platforms Bilibili, Huya, and Netease. Overall, OWL's average minute audience (AMA) in the 2020 season increased by 50% compared to the 2019 season.

January to April presented an ideal time to attract new gaming fans as live traditional sports abruptly stopped around the world. The return of the League of Legends Pro League (LPL) Spring Tournament brought in new fans eager for any form of entertainment. Even the big government players backed the broadcasts with China Global Television Network (CGTN) airing the final of King Pro League (KPL) Spring Split, marking the first time that a state-operated platform has streamed an e-sports tournament since 2003.

2020 proved to be an accelerant of existing trends, and amidst the global pandemic where digital connection was stronger than ever, e-sports in China only continued to innovate and grow across all sectors.

7. GOVERNMENT POLICIES REGULATING GAMING INDUSTRY IN CHINA

7.1 REGULATION ON GAMES IN CHINA

Since 2005, the government has continually published laws and regulations to regulate the Chinese video gaming market. The video game industry is one of the most indispensable parts of modern Chinese culture, explaining for the Chinese government's recent surge of interest in gaming. The government has invested a great deal in social construction and set up incentives for innovation within the video game industry so as to bolster the companies' competitiveness. Despite former government policies to support the video game market in China, in recent years, the Chinese government attempts to regulate the fast-growing market.

To protect youth from indulging in video games, the government issued a series of laws to ask video game companies to regulate their games. Those companies need to ensure that the games' contents are healthy and may forbid youth from using certain functions.

Following concerns about video game addiction and negative influence for young players that came to head in 2000, reducing the video games' impact has become one of the Chinese government's priorities.

Starting from the "Notice on Preventing Minors from Indulging in Online Games" released in 2019, the anti-addiction regulations for minors officially kicked in on September 1st , 2021. The "Notice" pointed out that the real-name system for online games should be established and the time for minors to play should be further reduced and controlled. Minors in China will only be allowed three hours of online video game time per week, specifically 20:00 – 21:00 every Friday, Saturday and Sunday, except for national holidays.

On average, 17.8 million accounts of minors were kicked offline every day for "exceeding the standard" login time in 2019. In addition, Tencent started exploring facial recognition applications. In February 2019, an average of 7.24 million accounts were logged in every day, and 60,000 accounts triggered facial recognition verification during payment. Among them, about 90.5% of the accounts faced anti-addiction supervision due to rejection or failure to verify age.

Chinese adults are exempt from these regulations – which is why China will likely stay on top of the list of the countries spending the most time in front of gaming consoles, PCs or smartphones per week.

7.2 CENSORSHIP IN GAME INDUSTRY

In Mainland China, like most mass Chinese media, video games are regulated by the government. In the 1990s, the Ministry of Information Industry (MII) was created in order to regulate and promote Chinese telecommunications and software companies, as well as online gaming.

According to the current Chinese laws and regulations even 18+ games must not contain elements such as violence, sexual elements, blood, terror, and bad statements. If a foreign company wants to sell its video game products in China, it will be required to have a license for the game from the SARFT (State Administration of Radio, Film, and Television) before publishing. Moreover, game content deemed inappropriate are forbidden.

The "2021 China Game Industry Potential Analysis Report" by Gamma Data in December 2020 pointed out that two-dimensional (see below the explanation) games have become the main growth force of the Chinese gaming market. More than 90% of the users around the age of 20 to 25 are interested in two-dimensional games. The surge of two-dimensional games has strengthened the market, but it has also brought about some problems. In order to attract attention, some two-dimensional games deliberately expose the image of female characters in an erotic way. In particular, the design of clothing can easily cause violations of laws and regulations. More violations may hinder the development of two-dimensional games, especially at the time of increasingly strict supervision.

"Two-dimensional world or erciyuan (Chinese pinyin) is the term used in China for Japan-influenced media and culture. ACGN (Anime, Comic, Games, and Novels), or "Nijigen" in Japanese, means "two-dimensional space" in that language. While still unfamiliar to a lot of people in China, ACGN is a rapidly rising subculture in the country. The "two-dimensional" space refers to the fictional world, opposing the real world. Real world individuals have an alter ego in the two-dimensional world."

Foreign companies have to respect above rules in order to do business in China, and the majority of the gaming companies have developed and conceived a Chinese version of their games to meet the requirements, such as League of Legends, one of the most popular games in China.

8. IMPACT ON CHINA'S GAMING CRACKDOWN

From the perspective of the effectiveness of the anti-addiction system, more than half of the minors think that compulsory measures have "worked"; only 14% of the minors think that the anti-addiction system is "less useful" or "not useful".

The mainstream gaming companies will definitely have to re-examine and improve their product's content, which requires a certain amount of time and considerable investment.

Popular games in China are free to play, attracting huge audiences, and then generating income from the fact that users have to buy certain items in order to progress in the game. But at the same time, many games are manipulative. There are multiple daily and weekly use-or-lose quests. Users receive rewards for logging in and for continuous streaks of gaming. The goal for the player is to spend enough time playing the game over a couple of months to unlock all features. It is such games that can especially feel the effect of the new regulations of the Chinese government.

In addition, minors still are important to game companies: although they have insufficient spending power and limited turnover contribution, they have more leisure time, which is an important part of the gaming market ecology. For games with high DAU (daily active users) of all ages, underage players can enliven the game atmosphere and help a game to achieve a diversified distribution of players. Therefore, if the gaming behavior of minors is further restricted, the gaming industry will still be affected to a certain extent.

As for the e-sports industry in China, e-sports talents are becoming younger and younger: the peak period of the average professional players is 16-22 years old. In the short term, the introduction of this policy will bring some resistance to the training process of e-sports players.

9. CHINESE TOP GAME PUBLISHERS & THEIR HOTTEST GAMES

According to the 2020 list of the World's Top 52 Publishers released by App Annie, Chinese game publishers Tencent and NetEase respectively dominated as first and second, while some other famous game developers such as FunPlus, Lilith, IGG, 37Games are also listed.

- Tencent Games www.tencent.com

Founded in 2003 by social software giant Tencent, Tencent Games is China's largest online gaming community and the world's largest digital entertainment platform. Tencent remains the world's largest games publisher by revenue, and its most well-known titles include PUBG Mobile and Honor of Kings. Currently, there are more than 70 apps and 100 games operated by Tencent and its mobile games division.

According to the company's Q3 2021 financial report, Tencent's international games revenue grew 20%, while the domestic games revenue -increasingly impacted by government restrictions - grew by only 5%.

Tencent has recently been suspended from updating existing apps or launching new apps in Mainland China. The suspension, unknown for how long, is part of a "temporary administrative guidance" directed in the company. China's Ministry of Industry and Information Technology informed platforms and app stores to enact the order from November 24, 2021. Despite the suspension, its apps and games remain functional and available to download.

- NetEase Games www.neteasegames.com

Founded in 2001, NetEase Games is a division of NetEase, one of the leading providers of internet and online gaming services in China. As one of the top Chinese online and mobile gaming companies, NetEase is a powerful competitor of Tencent in gaming field. NetEase Games provides worldwide users with self-developed PC-client and mobile video games. In addition, NetEase also operates some of the most popular international online games in China by partnering with Blizzard Entertainment, Mojang AB and other global game developers. The company is now ranked second in terms of global revenues in iOS and Google Play amongst mobile gaming companies.

NetEase' flagship titles include Fantasy Westward Journey and the Westward Journey Online series, Nightmare Breaker, Diablo Immortal and Ghost World Chronicle. In September 2021, NetEase released Harry Potter: Magic Awakened exclusively in China, in collaboration with Warner Bros. The launch was off to a great start. The game has become the most downloaded mobile game in China, sitting pretty in the #1 spot in terms of top grossing games on the Chinese Apple App Store.

- FunPlus www.funplus.com

FunPlus is a global leading video game company with headquarter in Switzerland and operations in China, Japan, Singapore, Spain, Russia, Sweden and United States. Focused on the global market since its founding in 2010, FunPlus is well known for its popular mobile games, and the company also has investments in the e-sports industry including FunPlus Phoenix.

FunPlus has been ranked in the World's Top 52 for several consecutive years. In 2019, FunPlus reported earnings of over USD1.3 billion in revenue with only two of its own games, King of Avalon (USD721 million), and Guns of Glory (USD510 million).

- Lilith Games www.lilithgames.com

Established in 2013 in Shanghai, Lilith Game's first release, Soul Hunters (known as Legend of Xiao Bingbing in China) in 2014, became an instantaneous hit and made a considerable impact on the global market, and was among the top-grossing games in East Asia for several months. Since then Lilith Games has published many successful and popular online games in the global market. Some of the company's well-known titles include: Rise of Kingdoms, Art of Conquest, AFK Arena, Abi and more. Lilith Games is now China's 4th largest game developer and publisher by overseas revenue.

Rise of Kingdoms (ROK), a strategy game published by Lilith, was the most noteworthy product amidst all Chinese-made SLG (Simulation Game) mobile games in 2019.

37 Interactive Entertainment www.37entertainment.net

Founded in 2011 with headquarters in Guangzhou, 37 Interactive Entertainment has grown from an internet service provider into a world renowned gaming company, focused on the publication and development of mobile, browser and html5 games. The in-house game development studio 37Games is famous for its beautiful and heavy graphic MMO (Massively Multiplayer Online) mobile games, such as Eternal Crusade and Supermacy Under Heaven. In April 2021, 37Games disclosed to the public that it plans to raise RMB1.65 billion (USD236 million) for the cloud gaming business.

In China, 66% of mobile gamers use low-end phones which cost less than RMB2,000 (USD286), so the likes of 37's games aren't a good fit for them. This is also the reason why hyper-casual games dominate the Chinese market, taking away 78% of gamers, because they require minimal hardware resources.

On the other side of the spectrum, heavy-graphic MMO game lovers would turn to PC online games for what could satisfy their appetites that not even an expensive phone could offer.

To 37Games, these two types of gamers make up a market of great potential, and cloud gaming could afford them the richest gaming experiences with minimum investments in hardware.

10. CHALLENGES & OPPORTUNITIES

The globalization trend of mobile games is obvious. The challenge with China is, if you're a foreign developer or publisher who wants to launch games in China, you better have a mobile game. The vast majority of games approved by authorities in China are mobile games. PC games and console games are much less.

As mentioned before, all games that are to be legally launched in China are required to have a publishing license (ISBN) and IP certification. These are handled by corresponding authorities and can take anywhere between six months to a year to get approval. As foreign games are required to be published by a Chinese publisher, looking for the right partner will be of utmost importance.

There are some publishers more dedicated to bringing international games to China, but even those are sometimes tricky to find, for the uninitiated. Besides, some publishers will exclusively focus on iOS games, while others only on Android games. Some may do both, but are rarer.

There is no Google Play Store in China. Google services are mostly banned and/or inaccessible for most of the population. Instead, the Android market is composed of hundreds of different app stores. It's the local publisher's work to help foreign games get in the right app stores and noticed. The first step of finding your Chinese partner will be really time consuming.

Assuming a developer or publisher does find the said partner, the real work begins. The original developers of the game will need to fully localize their game to the Chinese, make sure that no content in the game infringes regulations, plus integrate SDKs(software development kit) into their game to make it compatible with Chinese app stores, login systems, and national networks of personal identification and payment methods.

After all this is done, and with the assistance of the local publisher, an application will be made for the publishing license of the game. This, as previously mentioned, will take at least six months, with no guarantees of success.

Despite the hurdles to enter China's gaming market, it remains a top destination for foreign game developers due to its enormous size. While the mobile market is already flooded with games, the console space remains a largely untapped source of potential customers. Microsoft, Nintendo, and Sony all launched devices in China in the past few years. Notably, Nintendo united with Tencent to release the Switch. In a recent webinar on EU-China gaming & e-sports market, hosted by EU SME Center, it was told that console games will become the core driving force for the rapid development of the client gaming market in China. Moreover, the Chinese gaming industry urgently needs product innovation, industry integration, and international development to maintain its competitive edge. Opportunities for foreign game companies will lie in these aspects.

As to the e-sports market, now is a good time for global e-sports teams, leagues and organizations to invest into e-sports in China. For Western teams, they can be looking for Chinese talent to fill their rosters and create the connection. Global brands can invest into e-sports to successfully target these young Chinese consumers. Whilst e-sports leagues and teams can target Chinese live streaming platforms as a new way to monetize their media rights.

The e-sports market is also very profitable for brands selling goods to "gamers". For example, the Swiss company Logitech has released the range "Logitech G" including gaming accessories and China was one of its biggest audiences. After that, the brand has seized upon the opportunity of sponsoring professional e-sports teams, which allows them at the same time to increase their sales, as fans want to buy the same equipment as their idols.

11. RELATED EXHIBITIONS

- ChinaJoy Expo www.chinajoy.net

China Digital Entertainment Expo and Conference ("ChinaJoy" for short) is the most influential event in the global digital entertainment industry. The fair is held annually in late July in Shanghai, China, the cosmopolitan city with open economy clustered with the most intensive and most international gaming companies in the country. ChinaJoy Expo showcases online games, console games, web games, hardware products related to digital entertainment, etc.

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