November 2022

China's Gaming Regulations Report:

Analyzing the Consumer and Market Impacts of Chinese
Games Market Policies

China's Government Is Tightening Regulations on Gaming

China remains the world's biggest games market by revenues and players in 2022, but regulatory challenges remain

Although young generations in China typically enjoy and accept gaming, the media, government, and older generations—especially parents—often label games as **"spiritual opium"** that negatively influences young people. In August 2021, the Chinese government released strict regulations to limit play time for gamers under 18 years old, aiming to **curb alleged game addiction**.

These 2021 regulations were the latest in a long list of governmental efforts to control *what* **China's players play** and *how much* they play.

However, the inconsistent implementation and enforcement of many policies have left China's games market in a state of **uncertainty**. Many regulations are not standardized. Others are implemented differently from their initial announcements, leading to subjective decision-making by enforcers. Local interpretations of regulations can also differ. **The uncertainty around regulations has given rise to a so-called "grey market"**, where many games operate without official licenses.

The regulations come at a time when China's games market—the largest in the world by spending and player numbers—is reaching unprecedented heights. China-based game companies have grown to be among the largest in the world and are brimming with talent.

Prompted by regulations in their home market, these companies have invested in (and expanded into) **international markets**, with notable success from **miHoYo**'s **Genshin Impact** and **NetEase**'s **Naraka: Bladepoint.**

Meanwhile, non-local game companies are hoping to tap into China's massive games market but are struggling with the unpredictable regulatory environment.

In this report, we summarize the regulations from the past decade, highlight key learnings from China-based companies' international strategies, and identify opportunities for international companies looking to enter China.
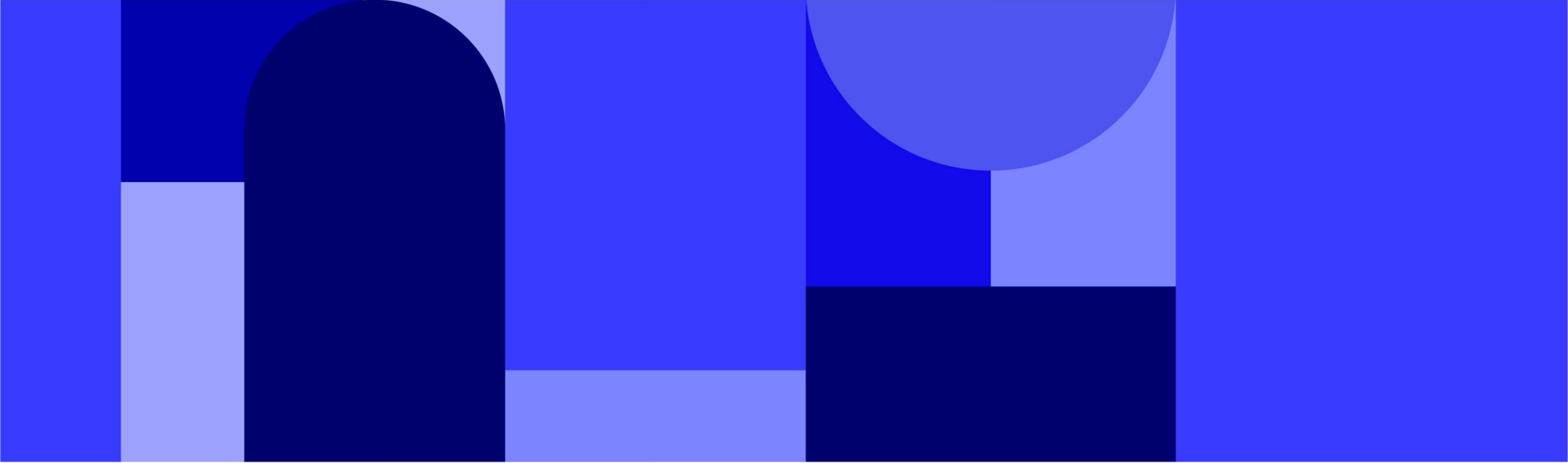
24.8%

of 2022's global games market revenues will come from China.

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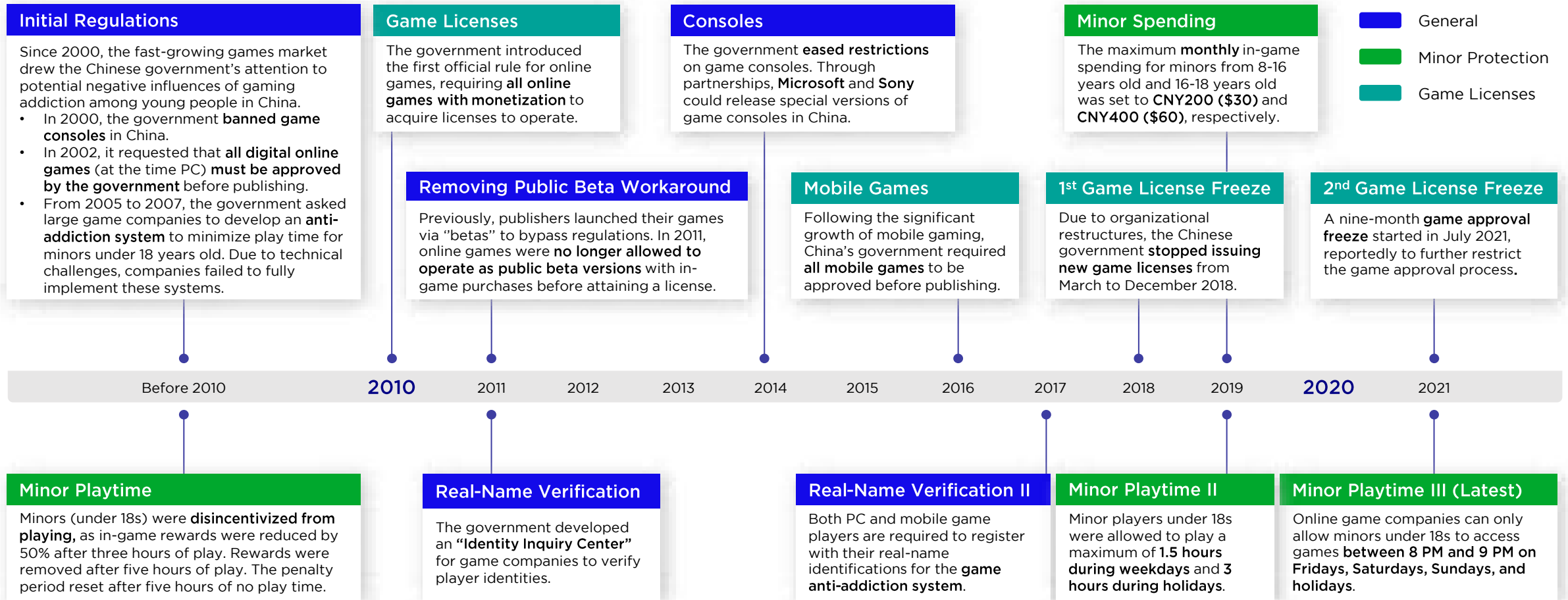# Table of Contents

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1. Game Regulations Overview

Timeline, key developments, and unregulated areas across platforms

Timeline: Visualizing an Increasingly Strict Regulatory Grip

Since the early 2000s, the Chinese government introduced increasingly strict regulations to control China's games market

Legend:
- General (blue)
- Minor Protection (green)
- Game Licenses (teal)

Initial Regulations

Since 2000, the fast-growing games market drew the Chinese government's attention to potential negative influences of gaming addiction among young people in China.

- In 2000, the government **banned game consoles** in China.
- In 2002, it requested that **all digital online games** (at the time PC) **must be approved by the government** before publishing.
- From 2005 to 2007, the government asked large game companies to develop an **anti-addiction system** to minimize play time for minors under 18 years old. Due to technical challenges, companies failed to fully implement these systems.

Game Licenses

The government introduced the first official rule for online games, requiring **all online games with monetization** to acquire licenses to operate.

Consoles

The government **eased restrictions** on game consoles. Through partnerships, **Microsoft** and **Sony** could release special versions of game consoles in China.

Minor Spending

The maximum **monthly** in-game spending for minors from 8-16 years old and 16-18 years old was set to **CNY200 ($30)** and **CNY400 ($60)**, respectively.

Removing Public Beta Workaround

Previously, publishers launched their games via "betas" to bypass regulations. In 2011, online games were **no longer allowed to operate as public beta versions** with in-game purchases before attaining a license.

Mobile Games

Following the significant growth of mobile gaming, China's government required **all mobile games** to be approved before publishing.

1st Game License Freeze

Due to organizational restructures, the Chinese government **stopped issuing new game licenses** from March to December 2018.

2nd Game License Freeze

A nine-month **game approval freeze** started in July 2021, reportedly to further restrict the game approval process**.**

Timeline: Before 2010 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

Minor Playtime

Minors (under 18s) were **disincentivized from playing,** as in-game rewards were reduced by 50% after three hours of play. Rewards were removed after five hours of play. The penalty period reset after five hours of no play time.

Real-Name Verification

The government developed an **"Identity Inquiry Center"** for game companies to verify player identities.

Real-Name Verification II

Both PC and mobile game players are required to register with their real-name identifications for the **game anti-addiction system**.

Minor Playtime II

Minor players under 18s were allowed to play a maximum of **1.5 hours during weekdays** and **3 hours during holidays**.

Minor Playtime III (Latest)

Online game companies can only allow minors under 18s to access games **between 8 PM and 9 PM on Fridays, Saturdays, Sundays, and holidays**.

Deep Dive on Minor Protection

Anti-addiction draws high attention from regulators; minor protection is the key regulation focus in China.

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Doubling Down on Minor Protection and Game-Related Anti-Addiction

China now officially covers game anti-addiction regulations in its newly revised minor protection law

General Minor Protection (As of October 2022)

- **Playtime:** Game companies can only provide game services to minors under 18 years old between 8 PM and 9 PM on Fridays, Saturdays, Sundays, and holidays.

- **Spending:** The maximum monthly in-game spending for minors from 8-16 years old is CNY200 ($30) and CNY400 ($60) for 16-18 years old.

- **Real-name verification:** All game companies are required to integrate a real-name verification system into their game anti-addiction system.

- **Live streaming:** Live-streaming platforms must feature a special "Youth Mode" to protect minors from game addiction and inappropriate content. Minors under 18 years old are not allowed to spend money on streaming platforms. If they do, platforms must refund the money to their guardians. Minors aged between 16 and 18 can stream under their guardians' supervision. Read more about live-streaming regulations on page 16.

- **Esports:** Professional players under 18 years old are not allowed to compete in any official tournaments.

- **Game accounts renting/trading:** Platforms that rent or trade game accounts are banned from providing their services to minors under 18 years old.

Age Rating System

- In 2020, the China Audio-Video and Digital Publishing Association (CADPA) released an age rating guideline for games published in China. The CADPA rating system (8+, 12+, 16+) in China only serves as a **guideline** for minors and their guardians. Earlier government announcements suggest the age rating system is based on categories including **law & ethics**, **violence**, **sexual suggestiveness**, **blood**, **horror**, **regulated goods**, and **history & culture**.

- The CADPA rating system was treated as a pilot test. Now, publishers must **include a game's CADPA age rating during the game approval process**. The CADPA rating icon must also be present on the game download/purchase page and in all game promotional materials.

League of Legends: Wild Rift's Chinese website shows the CADPA rating icon at the left corner

Minor Protection Regulations: A Low Short-Term Impact on Revenue

However, the regulations are likely to cause negative effect in a longer term

Short-Term Impact

- The anti-addiction regulations only **slightly affect game company revenues** in China in the short term. Reportedly, the share of minor spending is small (below 2% in 2021). The table on the right summarizes the reported minor spending shares from leading public game companies in China.

- When they are unable to play, some minors likely turn to watching **esports and live-streamed content** to stay engaged with their favorite games.

- Following the regulations, several **esports tournaments** (especially for **mobile esports**) **were postponed** to make sure all the players were above 18 years old.

Long-Term Impact

- The regulations on minors mean gaming may **not become a habit for the next generation** in China, negatively impacting the Chinese gaming market in the future.

- **Adult players** may also be affected implicitly due to fewer players being engaged (meaning lower player bases).

- **Game companies** and platforms will bear the costs of anti-addiction measures and might even **self-regulate their content**, ultimately leading to fewer resources for content and therefore less opportunity for players to engage.

- **Investors** may be less willing to invest in China's games industry, seeing it as risky.

- China may become **a less competitive region in esports** with a limited esports talent pool, potentially leading to **a decline in viewership and sponsorship** in the long run.

Game Revenue Share From Minors Under 18 Years Old

Among Leading Chinese Public Game Companies

Company	Period	Grossing % From Minors	Data Source
Tencent	2020	6% from players under 18 3.2% from players under 16	2020 Annual Report
	2021	1.5%	2021 Annual Report
NetEase	H1 2021	<1%	Q2 2021 Investor Call
Bilibili	H1 2021	Around 1%	Q2 2021 Investor Call
Century Huatong	H1 2021	0.009% (Shengqu Games only, a company under Century Huatong)	Shengqu Games Weibo Account
CMGE	2021	0.025%	2021 Annual Report
	H1 2022	0.0029%	2022 Interim Report
Yoozoo	2021	0.055% from players under 18 0.016% from players under 16	2021 Interim Report

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Deep Dive: Game Licenses

The game approval process in China is challenging, time-consuming, and highly uncertain.

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Licensing Rules in China Are Strict, But the System Is Unclear

A lack of regulatory clarity makes publishing and operating games difficult in China

Rating System for Game Approvals

When applying for game licenses, game companies needed to file **several official documents** that included information about the publishers, game screenshots, all game scripts, real-name verification systems, a list of prohibited words in the game, etc. Notably, **as the government did not provide an official list of prohibited words, game companies needed to set up their own system for government tests**. For example, with monthly updates, FingerTango added more than 90,000 characters to its list of prohibited words. In April 2021, China updated the rating system for its game approval process. The new rating system covers five categories:

- **Value Orientation:** Whether the game matches the government's societal values, worldview, and view of history.
- **Original Design:** Encourages games to use innovative game design. This rule prohibits games that blatantly copy existing titles.
- **Production Quality:** Refers to a game's quality and artistry.
- **Cultural Content:** Whether the game can educate players on Chinese culture and scientific knowledge. Any mistakes or errors in the text or graphics will lead to points deducted.
- **Development Stage:** Whether the game is a complete package and can run smoothly.

At least two experts evaluate each game based on the above categories. Each category gets a score between 0 and 5; the game's overall score is the average of the five categories. The scoring will be rounded to +/- 0.5 based on a general review, so **if one category has scored 0 or the average score is 2 or below, the game cannot be approved.** In other words, only games with an average score of 3 or above will be approved. **Games with a higher average score (3 or above) will be approved faster. Even after acquiring the license, a game may still be asked to adjust its content.** For example, Fate/Grand Order (a popular card battler game) was required to change the names of in-game characters based on Chinese history/literature in order to reduce the connections between game characters and Chinese history/literature.

Penalties

For game companies that publish games without game licenses, or that use other games' licenses, the government is entitled to **confiscate all game revenues** and fine **5 to 10 times** the game company's operating revenues.

Honor of Kings had to postpone a new character cosmetic, because the character rode a motorcycle in a dangerous way (a potential bad influence) on teenagers. Later, Tencent updated the skin with helmet and vehicle registration plate.

Due to regulation pressure, **Tencent** renamed **PUBG Mobile** to **Game for Peace/Peacekeeper Elite**, changing the game setting from a warzone to a military training exercise. The game removed blood, instead giving players four different smoke colors to choose.

Source: Honor of Kings; Peacekeeper Elite

China's Game Market Suffered Following the License Freeze

Many game companies reportedly laid off or dissolved their gaming departments

Games Approved in China 2017-2022*

By National Press and Publication Administration (NPPA) | *As of October 2022

● Domestic Games   ● Imported Games

Year	Domestic	Imported
2017	9,177	456
2018	1,893	50
2019	1,365	180
2020	1,308	97
2021	679	76
2022	314	0

Mobile Game Licenses in 2021

658 | 55

PC Game Licenses in 2021

26 | 11

Console Game Licenses in 2021

5 | 11
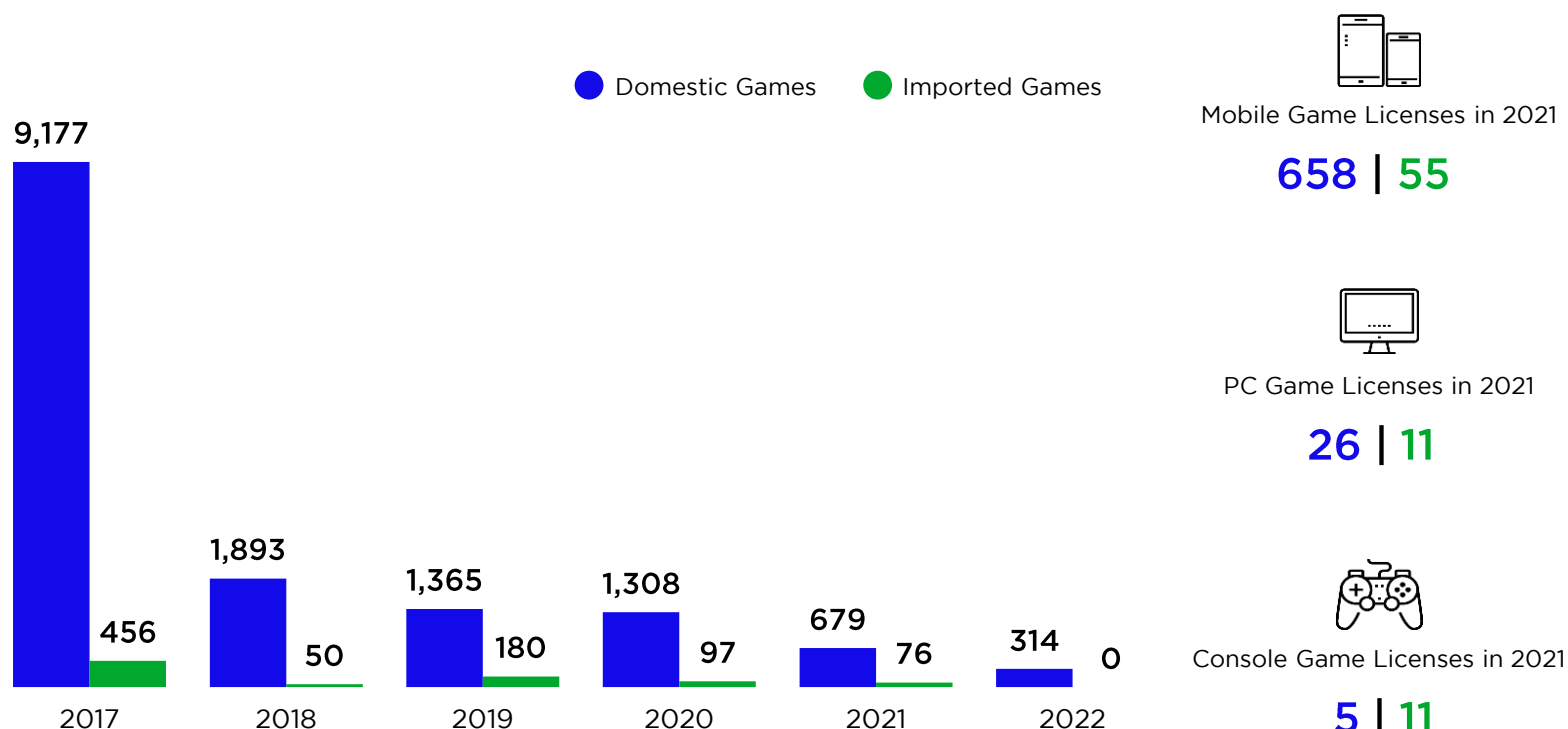
Note: The per platform game license analysis for 2021 (right) doesn't add up to the total game numbers (left) because a cross/multi-platform game in China only receives one license while it is counted double in the per platform analysis. We do not deduct the licenses that were revoked by NPPA.

Impact

Before the **government restructure** in 2018, the game approval process was relatively fast and easy. Following the nine-month license freeze ending in December 2018, game approvals have become significantly stricter in China.

During **the second game license freeze** from August 2021 to March 2022, there were reportedly 14,000 game studios shut down in H2 2021. As of September 2022, the game approval process still has not fully recovered.

Notably, at the time of writing, **no foreign games have been approved in 2022**, signaling that the situation is getting more challenging for foreign companies looking to enter China's games market. On top of acquiring a game license, foreign companies must partner with a Chinese entity to launch and operate their games.

Looking Forward

By 2022, China may start to **decentralize** the approval process from the central government to several **Free Trade Zones** (including **Hainan** and **Shanghai**). This will potentially **accelerate the approval process,** as more people can contribute to the process. Notably, a license obtained in a Free Trade Zone is applicable across the country.

Source: National Press and Publication Administration (NPPA)

Unregulated Areas

China's players and publishers are continuing to find workarounds for the strict regulatory environment, but there are risks.

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Steam Is the #1 PC Store for Chinese Players and Remains Accessible

Many unapproved games are still available via Steam, VR, and cloud platforms

Unregulated Areas in PC, Cloud, and VR Gaming in China

- Despite lacking the license to operate, **players can still access Steam in China** at the time of writing (October 2022). Most Chinese players use a **game accelerator** (a service that provides stable and fast internet connections for Chinese players to access games on international servers) or **VPN** for a smoother gaming experience. Steam also allows players to pay in CNY via online payment services including **Alipay** and **WeChat Pay**. Players in China can also access many unapproved Steam games via **VR stores** and **cloud gaming platforms**.

- Faced with tightening regulations in the domestic market, Chinese game studios (including small-to-medium ones) choose to publish **early access or beta versions** on Steam first before acquiring game licenses. For example, **The Scroll of Taiwu** sold 2 million copies one year after its early access release.

- However, in September 2021, 213 Chinese game companies established **formed a group promising to *not* target Chinese players via publishing games on international platforms** like Steam. It may become difficult for games published on Steam to acquire game licenses.

- Steam titles like **PUBG** and **Dread Hunger** achieved massive success in China. One of the advantages these games have for the Chinese market is that they **feature Simplified Chinese as a language option**.

Potential Risks

- **Steam China:** **Perfect World**, partnering with **Valve**, officially launched **Steam China** in February 2021. On the launch day, the platform only provided 53 titles—and without community features. The release of Steam China provoked around a potential **banning of Steam's international version** in the future.

- **Steam ban:** At the end of 2021, China *unofficially* banned Steam for around a month, when many players were unable to access Steam's store. The connection to Steam is often unstable in China.

- **Game accelerators:** **Tencent Accelerator**, one of the most used game accelerators in China to access Steam, announced it would cancel its service in May 2022. However, other popular game accelerators such as **NetEase's UU accelerator**, still work.

Steam Hardware Survey Fix: May 2, 2018

> Around August 2017, we started seeing larger-than-usual movement in certain stats, notably an increase in Windows 7 usage, an increase in quad-core CPU usage, as well as changes in CPU and GPU market share. This period also saw a large increase in the use of Simplified Chinese. All of these coincided with an increase in Steam usage in cyber cafes in Asia, whose customers were being over counted in the survey.

During the period from August 2017 to April 2018, Valve discovered that users from **Asian cyber cafés** became more prominent in the Steam Hardware Survey.

The main driver for the sudden increase in cyber café users here was the massive success of **PUBG** in China at launch on Steam. Due to the **high hardware requirements** to play PUBG, many Chinese players chose to access the game via cyber cafés.

Five years after PUBG's global launch, **the game (PC & console version) still hasn't been officially approved in China**.

Source: Steam Hardware & Software Survey

Current Loophole: Ad-Based Mobile Games Are Mostly Unregulated

Only premium mobile games or games featuring in-app purchases (IAPs) require approval

Unregulated Areas in Mobile Gaming

- All **pay-to-play (premium)** mobile games or games featuring **IAP (in-app purchase) monetization** must obtain a game license before publishing. However, **ad-based or IAA (in-app ad)** games that monetize *only* via ads **do not need approval**, according to current regulations.

- Monetizing solely via ads is just one way to circumvent regulatory requirements. As there are thousands of mobile games available on the market, regulators may overlook **mobile games from small-to-medium game studios**. Some apps label themselves as "entertainment" apps (instead of "games") to bypass regulations.

Potential Risks

- **IAA games:** In June 2022, China's **local government** fined three IAA games for not having game licenses for the first time. Regulators confiscated all game revenues and removed games from the app stores. It signals **IAA games may also need game licenses in the future**.

Top Downloaded Games Newly Released in 2021

Among Top 100 Titles in China by Downloads | iOS | 2021

7 games without licenses (IAA)   **17** games with licenses (IAP or hybrid)

1.	Wild Rift
2.	Battle of Golden Spatula
3.	Mole's World
4.	Harry Potter: Magic Awakened
5.	One Piece Fighting Path
6.	Doula Continent: Soul Master Duel
7.	Jade Master
8.	Paper Bride
9.	Giant Rush!
10.	MARVEL Super War

11.	Revelation
12.	Doula Continent: Awakening Soul
13.	Endless Notes
14.	Komori Life
15.	Wang Lanmei's Happy Life
16.	Chimera Land
17.	Ball Run 2048
18.	Landlord Simulator
19.	Ace Racer
20.	Yu-Gi-Oh! DUEL LINKS

21.	Devil May Cry: Peak of Combat
22.	Yi Nian Xiao Yao
23.	Tower of Fantasy
24.	Stacky Dash

Among the top 100 mobile games in China by downloads in 2021, 24 were released in 2021. Among the 24 new mobile titles, seven were published without game licenses. These six games only generate revenues from in-game ads.

There Is A Large Grey Market for Console Hardware and Software

Most console players in China buy overseas consoles (rather than the official Chinese ones)

Unregulated Areas in Console Gaming

- In 2014, the Chinese government **lifted its 13-year ban on game consoles**. Since then, console manufacturers can officially produce and sell game consoles—as well as console games—in China via creating a **joint venture** with Chinese companies.

- Due to the country's strict approval process, only a few games are available on the official Chinese versions of consoles. Therefore, it is very common for players to purchase games and consoles from Japan or Hong Kong via the **grey market** (e.g., e-commerce platforms such as Taobao and JD.com).

- To reach more games and services, players who purchased the official Chinese versions of consoles have also found various ways to **bypass the hardware restrictions** to access the global market.

Potential Risks

- **Secondary/Grey market:** China has cracked down on unapproved games/consoles imported from other markets for years. Now, it is getting more and more difficult to buy consoles and boxed games on the secondary and grey market.

- **Backdoor:** China may ban the **backdoor access** on game consoles. The current backdoors on the Chinese versions of consoles still allow players to access international servers and download unapproved games. Earlier in 2020, **Sony** was forced to disable the backdoor on PlayStation 4, but players quickly discovered a new workaround.

Console Partnerships & Services in China

Xbox, PlayStation, and Nintendo

	XBOX	PlayStation	Nintendo
Release Year in China	2014	2014	2019
Partners	BestTV	Oriental Pearl Group	Tencent
Subscription in China	Xbox Live Gold (CN Version)	PlayStation Plus (CN Version)	N/A
# of Games Officially Approved (Since 2019)	12	30	32

Through the **PlayStation China Hero Project**, Sony supports local game developers in China to build games on PlayStation. Some notable examples include **Convallaria** and **Lost Soul Aside**.

Although the China Hero Project has drawn much attention among Chinese console developers, many games must go through a **long waiting period** to get approved by Chinese regulators.

Live-Streaming Regulations

Game live-streaming platforms face regulation pressure in China, but there are currently many workarounds.

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China Has Announced Various Regulations Targeting Live Streaming

However, not all rules have been fully implemented by game live-streaming platforms

Unregulated Games

- **Games without licenses are not allowed to be streamed via** online TV broadcasts, live-streaming services, short-video platforms, or any other audio-visual platform.
- Although this regulation is official, **it has not been fully implemented**.
- The only games that live-streaming platforms have banned, as requested by the government, are **violent video games** including **Z1 Battle Royale (H1Z1)**, **Dead by Daylight**, the **Grand Theft Auto** franchise, and others.

Minor Protection

- Minors under 18 years old are **not allowed to spend money on streaming platforms** (e.g., via donations or subscriptions).
- Only **minors from 16-18 years old can stream under their guardians' supervision**.
- Streaming platforms must feature a **"Youth Mode"** for minors under 18 years old to watch. The Youth Mode restricts inappropriate content, spending, and engagement with streamers and other viewers. It also limits the daily watching time to **40 minutes**. Excess watch time requires guardian approval. Minors are not allowed to use streaming platforms from **10PM to 6AM**.
- However, there is **no compulsory real-name verification** on steaming platforms as in online games, meaning that it is easy to bypass the regulations on streaming platforms.

Huya's In-App Youth Mode

Huya, one of the largest game live-streaming platforms in China, has featured a Youth Mode since late 2019.

Parents/guardians can set up the Youth Mode with a password. This password is required to exit or bypass the Youth Mode (see below).

① Once the Youth Mode is switched on, the user must enter the correct password to **exit** the mode.

② If the user wishes to access streaming content from **10PM to 6AM**, the password is required.

③ Under the Youth Mode, the user is only allowed to spend **40 minutes** watching every day. Once the time limit is reached, the app will be locked by the password.

Source: Huya

There Are Many Ways to Bypass Current Streaming Regulations

It is more challenging to regulate live-streaming platforms compared to online games
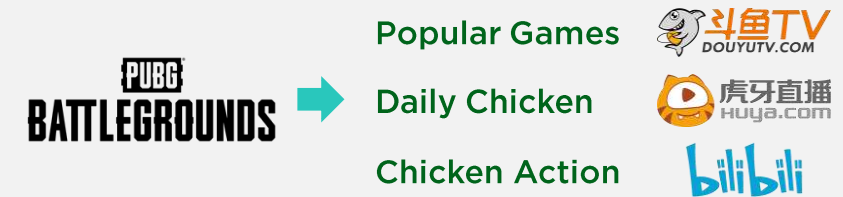
What Happened After the New Regulations?

- Popular unapproved games (including **PUBG** and **Apex Legends**) are still available on live-streaming platforms. Some streaming platforms renamed PUBG to a different category. There have been no further regulations since the first announcement.
- Nowadays, non-live-streaming clips and other edited videos are trending on video-sharing platforms. Although games like **Dead by Daylight** are banned from live streaming, its **game tutorials and streaming clips are still available on video-sharing platforms like Bilibili.** It seems that VOD content is not included in the regulations.
- Due to minor protection rules, streaming platforms must **refund** any spending by minors under 18. Streaming platforms and streamers have to bear extra costs during the refund process.

Potential Reasons for the Looser Streaming Policies

- **Non-gaming content** is far more popular than gaming content on streaming platforms, so China's regulators mainly target **inappropriate streaming content and behavior there,** such as pornography and violence.
- It is difficult to for streaming platforms to monitor streaming content when facing thousands of streamers at the same time. When streaming platforms try to hide popular titles, regulators may also **lack certain knowledge and resources to review unapproved game content** every day. Moderating a never-ending influx of content is hugely challenging, especially for those unfamiliar with gaming.
- As most streaming platforms are accessible via **browsers** (instead of apps) without having to log in, users can easily bypass the regulations.

Examples of Streaming Platforms Bypassing Regulations

① While **PUBG** has not been officially approved in China, streaming platforms still allow PUBG content due to its high popularity. These platforms have renamed the game to bypass regulations. Because of PUBG's slogan "WINNER! WINNER! CHICKEN DINNER!", "chicken game" often refers to PUBG in China.

PUBG BATTLEGROUNDS →

Popular Games 斗鱼TV DOUYUTV.COM

Daily Chicken 虎牙直播 HUYA.com

Chicken Action bilibili

② VOD platforms are still allowed to feature content from banned games. For example, **Dead by Daylight**'s tutorials and streaming clips are still available on **Bilibili** (below).

Source: Bilibili
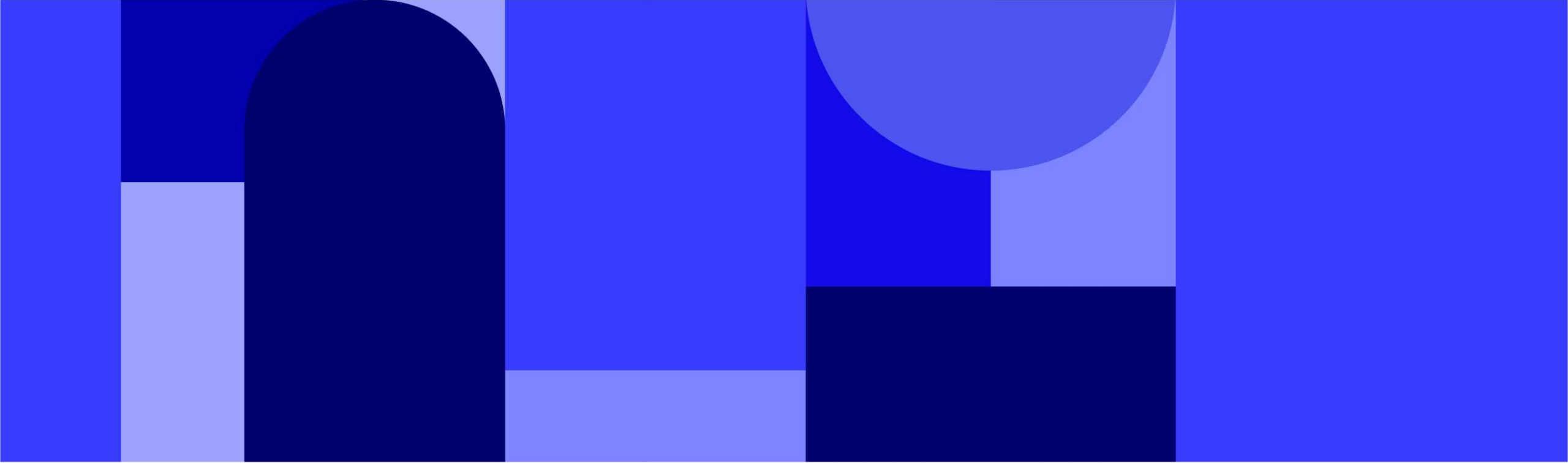
2. Next Moves for Chinese Companies

Strategies in the domestic market and overseas expansion

Compliance and Self-Regulation: The New Business Norm?

Game companies must bear extra costs created by the regulations, including content moderation

Marketing Content

- **Beyond gaming:** Game companies voluntarily promote **game technology applications in other industries** like traditional cultural heritage and medical technology. For example, at **Tencent**'s annual game conference SPARK 2022, the company announced its partnership with a **China Southern Airline** subsidiary for a flight simulation system, powered by Tencent's game technology.

Game Anti-Addiction Technology

- **Facial recognition:** Larger game companies including **Tencent**, **NetEase**, and **37 Interactives** are starting to feature facial recognition technology to verify whether players are using their own identification.
- **Location verification:** Tencent registered a patent allowing it to easily identify players by utilizing player location data. If a user is detected in a school area when logging in to a game, the user will be asked to verify his/her identity. This location-based verification system improves the efficiencies for Tencent's game anti-addiction measures.

Content Review System

- **User-generated content (UGC):** UGC-based games like **Roblox** and **Minecraft** need game content to be reviewed (automatically via an algorithm or manually) for several rounds. <u>Tencent stated that the company planned to recruit 300-350 employees to review content by the end of 2022. The content review cost for Roblox China is at least CNY100 million (around $14 million) per year.</u> Content moderation is always the priority for games like Roblox and Minecraft in China.
- **Streaming:** There are administration managers monitoring and browsing all streamers 24/7 to avoid inappropriate game/streaming content on their platforms.

Animal Crossing: New Horizons was banned in China due to the prevalence of political UGC in the game.

2019	In May 2019, **Tencent** announced a partnership with **Roblox** to launch Roblox China via a joint venture.
2020	By July 2020, the global version of Roblox was no longer available in China.
2021	In July 2021, Tencent officially launched Roblox China.

Tencent brands Roblox China more as an **educational platform** that helps children develop programing mindset and skillsets.

More Live-Service Games With Complex Gameplay Launch in China

Publishers need just one license for multiplatform games, driving game companies to develop titles for various platforms

Live Operations (LiveOps)

- Due to the limited number of new games approved in China, game companies choose to **centralize resources on approved games** and build them as **live-service games**.

- Chinese companies are a market leader in F2P (mobile) games, in terms of development, monetization, and operation. The tightening local regulations are further fueling this trend. It is now very common for games to feature regular updates, season passes, time-limited PVP/PVE events, IP collaborations, and more.

- Long-term LiveOps leads to high retention and stable revenue streams from loyal players. Airnow data shows that 50% of China's top 50 grossing mobile games in 2021 (iOS only, see right) were released prior to 2019, and 15 games have already operated for **longer than 6 years**, including **Honor of Kings** by **Tencent** and **Fantasy Westward Journey** by **NetEase**.

Evolving (Mobile) Games

- Mobile games in China are becoming **higher-fidelity**, featuring advanced graphics and complex combinations of game mechanics. The game design is sophisticated enough to support a regular stream of new content.

- Technological advances in mobile game development makes it possible to launch games across **multiple platforms**. Notably, games *were* required to apply for a separate game license for each platform (e.g., **miHoYo** had to apply for three licenses for **Genshin Impact** as a cross-platform game). However, China now allows **one license for multiple platforms** to meet the latest market trend. This also streamlines the approval process.

- Multiplatform development is efficient in terms of adhering to the regulations. **With one license, publishers are now able to reach a broad audience by launching their games on multiple gaming platforms**.

Counts of Release Years for Top 50 Grossing Mobile Games

iOS | 2021

Before 2016	2017	2018	2019	2020	2021
15	5	6	5	8	9
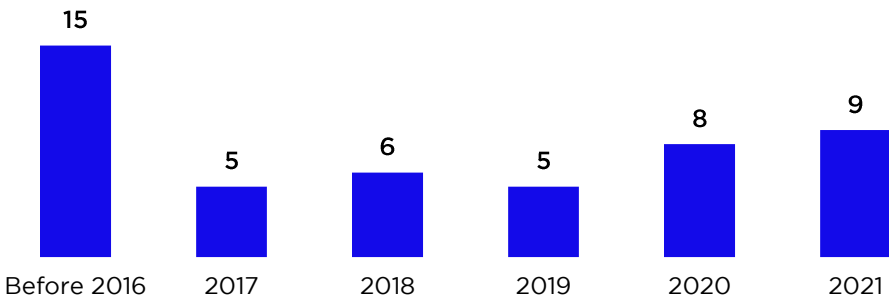
Game Licenses Approved Across Multiple Platforms

By National Press and Publication Administration (NPPA)

Year	Total Game Licenses	Mobile & PC	PC & Console	Mobile & Browser
2019	1,365	0	0	0
2020	1,308	3	0	0
2021	679	6	1	1

# The International Market Is the New Battleground for Chinese Developers

China is hoping to conquer the global mobile market with diverse game themes and complex gameplay

Overseas Game Revenues by Chinese Developers
2018-2021

+23.4%

2018-2021 CAGR of Chinese game companies' revenues outside of China. During the same period, the CAGR for global mobile game revenues is **+16.7%**, meaning **Chinese companies are growing quickly outside China**.

Bar chart:
- 2018: $9.6Bn
- 2019: $11.6Bn
- 2020: $15.5Bn
- 2021: $18.0Bn
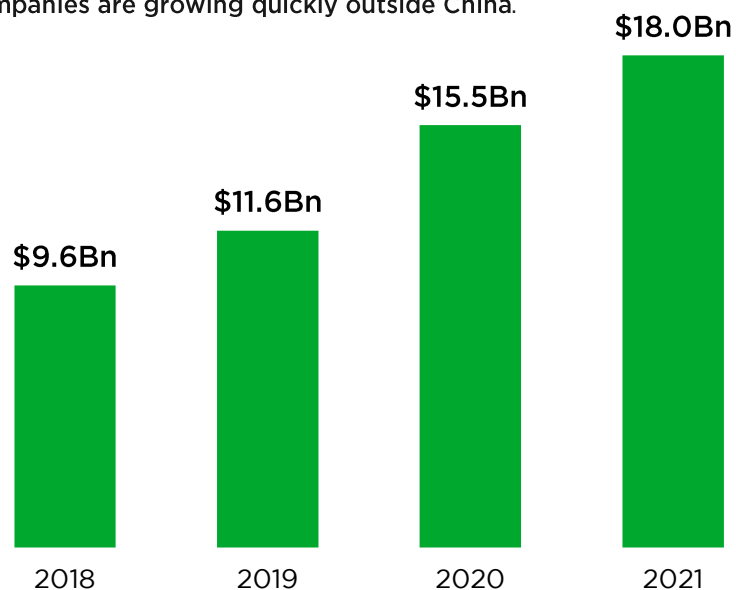
Top 10 Grossing Chinese Mobile Games Overseas
iOS & Google Play | Global Market Excl. China | 2021

#	Game	Publisher	Release Year	Grossing Rank (iOS)
1.	Genshin Impact	miHoYo	2020	4
2.	PUBG MOBILE	Tencent	2018	5
3.	Lords Mobile	IGG	2016	39
4.	State of Survival: Zombie War	FunPlus	2019	16
5.	Top War: Battle Game	Topwar Studio	2019	35
6.	Rise of Kingdoms	Lilith Games	2018	28
7.	Mobile Legends: Bang Bang	Moonton	2016	54
8.	Project Makeover	Magic Tavern	2020	29
9.	Evony	Top Games	2016	43
10.	Mafia City	Yotta Games	2017	32

China's game companies are gradually leading the global mobile games market. In the early years, Chinese companies mainly targeted the Western market with **4X strategy games** or **games themed in zombie apocalypse backgrounds**.

Now, we are seeing more successful Chinese games across variety of genres. For example, **Project Makeover** has innovated meta play in match-3 to the next level; open-world mobile games such as **Genshin Impact** have achieved massive success in both China and overseas.

Moreover, Chinese developers have accumulated rich experience in operating **live games** in the F2P era and they are bringing this expertise to the international market. Several international game giants have partnered with Chinese developers to transfer their game franchises to mobile, such as **Call of Duty** (Tencent) and **Diablo Immortal** (NetEase).

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Expanding Business in the International Market via Investment

China's leading game companies are acquiring development talent and setting up overseas studios and publishing divisions

Overseas Studios and Publishing Brands

- Besides growing their own games outside of their home market, China-based game companies are **securing global development talent** by investing in game studios all over the world.
- Companies such as Tencent and NetEase have established game studios in North America (e.g., Los Angeles, Seattle, Montréal) and Asia (e.g., Tokyo, Singapore). Their goal is to create games developed by international teams likely to appeal to audiences in the global market.
- Due to cultural differences and language barriers, many Chinese companies struggled to publish games in the international market. In addition to establishing international development studios, now, Chinese companies are **building their own global publishing brands**. Level Infinite (Tencent) and Farlight Games (Lilith Games) also publish games for other small-to-medium Chinese game studios in the overseas market.

Recent Investments by Chinese Companies in the Overseas Market

Investor	Year	Investee	Invested Amount	Holding Shares	Flagship Game	Genre
Tencent	2022	Ubisoft	€300M	9.99%	Assassin's Creed	Adventure RPG
	2022	From Software	N/A	16.25%	Elden Ring, Dark Souls	Action RPG
	2022	Triternion	N/A	Minority	Mordhau	Hack and Slash
	2022	Sybo	N/A	Acquisition	Subway Surfers	Arcade
	2022	Tequila Works	N/A	Majority	Rime	Adventure Puzzle
	2022	1C Entertainment	N/A	Acquisition	King's Bounty	Turn-based RPG
	2022	Inflexion Games	N/A	Acquisition	Nightingale	Open-world Survival Craft
	2021	Sumo Group	$1.25Bn	Acquisition	Game Development	
NetEase	2022	Quantic Dream	N/A	Acquisition	Detroit: Become Human	Interactive Story
	2021	Kepler	$120Bn	Minority	Sifu	Fighting
ByteDance	2021	Moonton	$4Bn	Acquisition	Mobile Legends: Bang Bang	MOBA
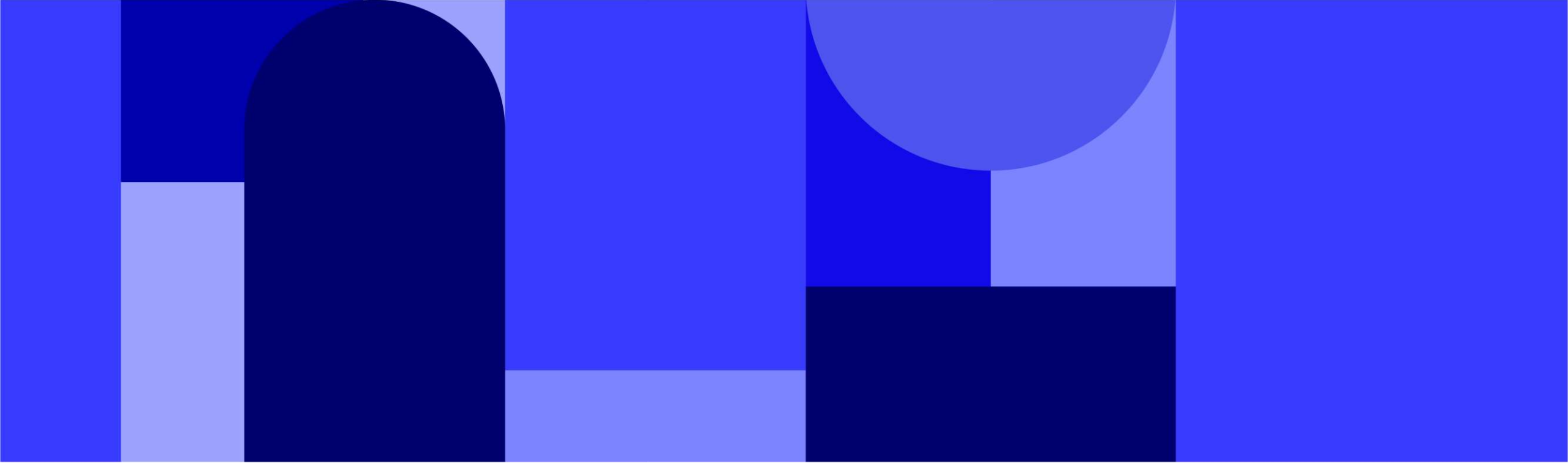
3. Strategies for Global Companies Entering the Chinese Market

Challenge & opportunities

Imported Games Approved in China Face Several Challenges

Nevertheless, winning a niche market in China could lead to considerable revenue, thanks to the massive Chinese audience

- Imported games approved by NPPA refer to **games that are developed or IP/franchise-authorized by foreign parties**. For example, Call of Duty: Mobile is developed by Tencent, but since its original IP is foreign, the game still categories as an imported game. In order to publish games in China, international game developers must partner with a local publisher.

- Of the 76 approved imported games in 2021, 55 are mobile titles, 11 are PC titles (one also has a console game license as cross-platform), 10 are console games (see page 15). As China is a mobile-first market, it is not surprising that there are much more mobile games approved by NPPA.

- There is much less room to bypass regulations with a mobile game than via grey markets like PC/console games. The imported PC/console games approved mainly serve to expand **game library for domestic game stores** like WeGame by Tencent or **official console platforms** like PlayStation and Switch.

- After one year of being approved, nearly **a third of the 55 approved mobile titles are not released in China yet**. Two games that were published earlier (**Alice Gear Aegis** by **Bilibili** and **Ultraman: The Gathering** by **CMGE**) have already stopped operating due to poor performance. **Out of the 21 approved PC/console games, six games are not released yet**, including the long-anticipated PC game **The Division 2**.

- The biggest challenge for imported games is **time**. Getting a game license is already a very time-consuming process with high uncertainties. On top of that, games often need to test for several rounds to ensure smooth operations, including adding localization features and real-name verification system. Today's gamers demand engaging with their favorite games as soon as they are released. Therefore, with the time-consuming approval and localization process, it is becoming increasingly **challenging for imported games to capture the release hype with such a big delay in China**. It is often more economical to launch international games via China's grey market but may carry risks for games not being officially approved.

Release Status of Imported Mobile Games in China

By National Press and Publication Administration (NPPA) | 2021

36 Active Games

iOS & Android	Only Android	Not Released	Stop Operating
31	5	17	2
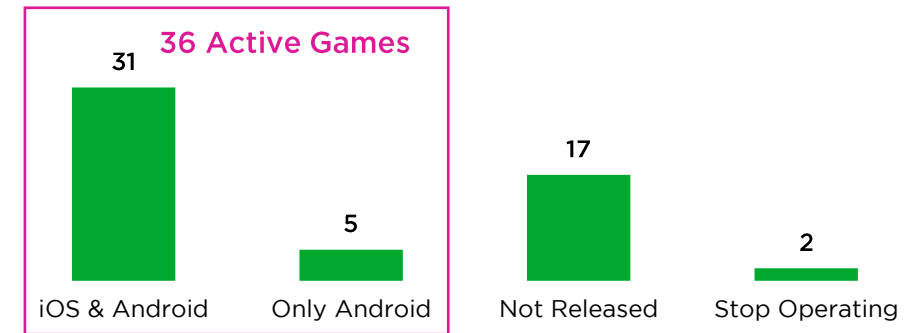
Release Status of Imported PC/Console Games in China

By National Press and Publication Administration (NPPA) | 2021

15* Active Games

PC	PlayStation 4/5	Nintendo Switch	Not Released
7	3	7	6
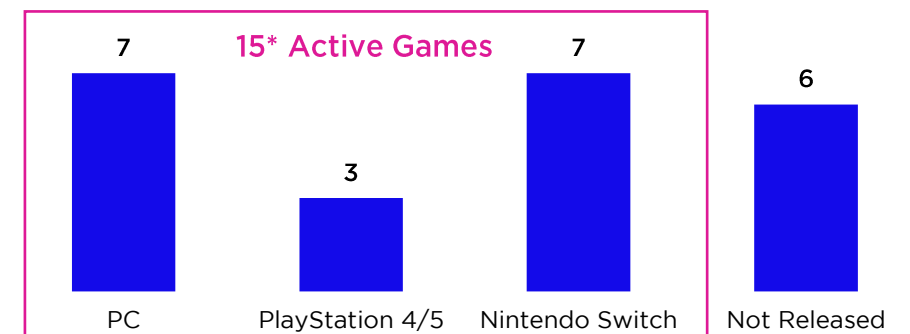
*Including games approved on multiple platforms.

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Imported Mobile Games Face Tight Regulation and Local Competition

Games based on popular PC/Console franchises are more likely to succeed

- Due to its massive user base and relatively low entry barrier for (domestic) developers (compared to other gaming platforms), China's mobile gaming market is among the most competitive games markets in the world.

- To have a chance at making it to the top of the grossing charts, **imported mobile games need to be based on popular, recognizable IP**. Particularly, game franchises such as **League of Legends** and **Diablo** are popular in China, as game franchises can bring the core gameplay loop and game theme to players, whereas non-game entertainment IPs need to build up an immersive experience for players from the ground up. One successful non-game IP example is **Harry Potter: Magic Awakened** by **NetEase:** it features high-fidelity graphics and storytelling videos to facilitate the IP adaptation.

- When the (game/entertainment) IP is well known in China, IP-based games often do not require much **localization adjustment** and can easily break the culture barrier with unique IP advantage. Nevertheless, Western comics have never been mainstreaming in China; therefore, we see a relatively weaker performance of **Marvel Duel**.

- For non-IP-based games developed by foreign game companies, existing **themes** and **art styles** are unlikely to match perfectly to the preference of Chinese player, that, for example, much prefer an **anime** art style. For example, **Merge Dragons!** by **Zynga** achieved success in the casual genre in the international market but failed to secure a similar position in China.

- **User acquisition** is always a challenge in the highly competitive mobile market. Partnering with mobile publishers such as **Tencent** and **NetEase** makes it easier for imported games to access players via localized advertisements, social media, and other marketing activities. However, these top publishers will often ask for a larger revenue cut.

Top 10 Imported Mobile Games Approved in 2021 By Revenues

China | iOS | August 2022

7 IP-based mobile games

#	Game	Publisher	Release Month	Grossing Rank (August 31)
1.	Diablo Immortal	NetEase	July 2022	3
2.	League of Legends: Wild Rift	Tencent	October 2021	10
3.	League of Legends: Esports Manager	Tencent	July 2022	7
4.	Digimon: New Century	Tencent	October 2021	129
5.	Guardian Tales	Bilibili	April 2021	200+
6.	World Flipper	G-bits	October 2021	300+
7.	Might & Magic: Era of Chaos	Tencent	June 2017	200+
8.	Pokémon Quest	NetEase	May 2021	400+
9.	Marvel Duel	NetEase	September 2021	500+
10.	Merge Dragons!	MyGamez	November 2021	300+

Strategy: Reaching Players in China via Unregulated Markets

Video content is one way to reach Chinese players, who often access unapproved games via workarounds

- China has a large grey market for PC and console despite all regulations (read page 12-15 to learn more). Therefore, every niche gaming market could potentially generate considerable revenue via massive player numbers. Besides **featuring Simplified Chinese in games**, game companies can also reach out to **influencers** on live-streaming/video-sharing platforms or among other online game forums to promote games in China.

- Among all game influencers in China, **streamers** have always been considered as the most impactful ones, which is also one of the biggest drivers promoting unapproved games to Chinese gamers. One success story is **PUBG**, allowing China to follow the battle royale trend as the rest of the world (despite that PUBG still awaiting approval).

- Chinese viewers typically enjoy games where streamers can actively interact with other streamers or viewers. Games under **sub-genres including social deduction, precision platformer, and Souls-like** are more likely to trend on streaming platform.

- These days, VOD platform **Bilibili** (equivalent to YouTube in China) is getting increasingly popular among gamers, attracting a massive amount of game content on the platform. Influencers have played an important role in introducing diverse game genres to Chinese players. Some notable examples include **Dark Deception** and **Super Bunny Man**.

- Despite many restrictions on the Chinese version of game consoles, Chinese players are still motivated by word-of-mouth marketing as players in the rest of the world to access unapproved games such as **The Legend of Zelda franchise**. **Xbox** displays a few unapproved games on its Chinese website for promotion but stated "games are still in development; the official game release will be limited to Chinese regulations".

- While entering the Chinese market via official ways has many challenges and uncertainties, it may still be worth it for game companies to enter China's grey game market by **promoting games in player community.**

Examples of Unapproved Games (Are/Were) Popular in China

Top Viewed Video on Bilibili | As of September 2022

Game	Release Year	Publisher	(Sub) Genre	Views (Bilibili)
PUBG	2017	Krafton	Battle Royale	21.6M
Getting Over It with Bennett Foddy	2017	Bennett Foddy	(Precision) Platformer	8.3M
Detroit: Become Human	2018	Sony	(Interactive Story) Adventure	15.0M
Among Us	2018	InnerSloth	(Social Deduction) Arcade	14.5M
Project Winter	2019	Other Ocean Interactive	(Social Deduction) Arcade	12.7M
Fall Guys	2020	Epic Games	Battle Royale	4.9M
Cyberpunk 2077	2020	CD Project	Action Adventure	10.8M
Elden Ring	2022	Bandai	Action RPG	17.0M
Dread Hunger	2022	Digital Confectioners	(Social Deduction) Arcade	2.7M

Source: Bilibili

Entering China Market Is Risky, But There Are Still Many Opportunities

Regulations are unpredictable, but many companies are leveraging unregulated markets and workarounds

Gamers always find loopholes. Since the beginning of the 21st century, the Chinese government has been regulating its games market, but this has not (and will not) stop Chinese game enthusiasts from accessing the games they want to play.

Securing a license to operate through the official approval process is the correct and safest way to enter China's game market. However, as the process is time-consuming and highly uncertain, game developers and publishers should also consider other options.

When it is difficult to acquire game licenses, **Steam** is probably still the most feasible way for game companies to bypass regulations and to reach China's huge audience. Besides advertisements, promoting games through player and streamer communities is an efficient and effective way to market a game in China.

Regulations are tightening. Notably, China's regulators have already noticed several unregulated markets and workarounds.

Operating a game in China—whether officially or through the grey market—comes with a complicated regulatory environment, and none of the options guarantees the ability to operate in the future. The past years have shown that regulations change, generally towards strictness. **Grey markets offer ways around it—but it is risky to use loopholes blatantly and frequently.**

In this report, we summarized and analyzed regulations and information disclosed to public, hopefully presenting some insights for companies to have a better understanding of the China's current regulations. As regulations can be consistently changing and sometimes unclear, people in the industry often have different interpretations to the regulations and rules.

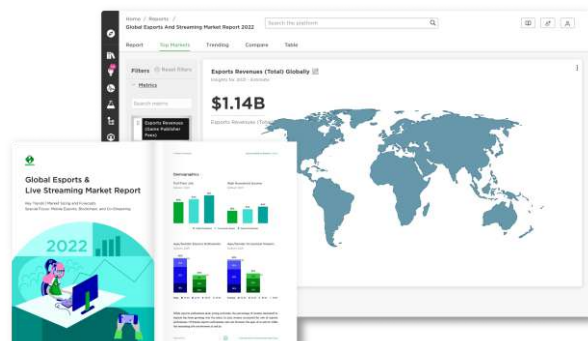If you have any different opinion or thought, please feel free to reach out to us for future discussions.

Want to dive deeper into our data?

Contact Us

Newzoo: The Specialists in Games Data & Insights

Reports

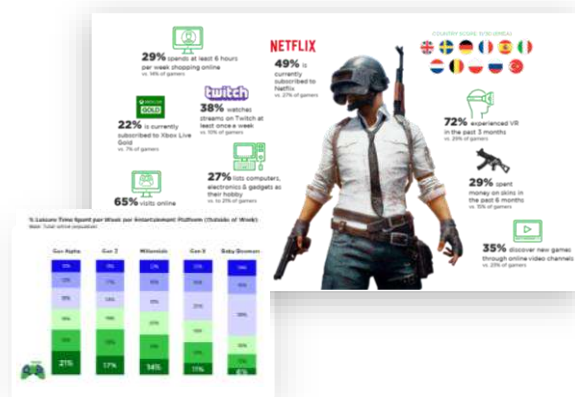Trends, Market Sizing, Forecast Data

What are the key metrics and trends, and how will they change in the future?

Global, regional, market key metrics
Market sizing, trends, forecasts

Consumer Insights

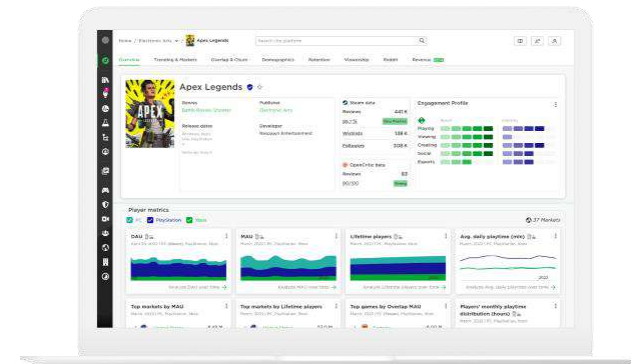Player Demographics & Psychographic Data

What types of players are playing these games?

75,000 Gamers surveyed worldwide
Motivations, drivers, playing behavior

Newzoo Expert

Games & Market Engagement Data

How does my game benchmark and what titles are my player base playing?

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