

VIDEO GAMES & ACCESSORIES

Supplier capability in China

EXECUTIVE SUMMARY

China suppliers of video games and accessories are optimistic that the promising outlook for the global gaming industry will boost their exports in 2010.

Spending patterns in North America and Europe indicate many consumers prefer indoor recreation than travel as they recover from the financial slump.

Driven by hardware and software for video game and dedicated portable systems, and PC and online games, China's export sales have started to pick up in the second half of 2009.

Rosy forecasts aside, roadblocks such as product compatibility and IPR concerns exist.

To circumvent the issue, companies are developing their own platforms and working with IC and solutions providers to produce their own I/O platforms.

Further, manufacturers and traders alike are strengthening core competency in their main product lines to differentiate themselves from competitors.

The general outlook for 2010 is encouraging, and suppliers are confident enough to increase capital expenditure, some by up to 50 percent.

The following are some of the key trends observed in China's video games & accessories industry:

- Suppliers will continue to beef up their export capability for novel video game consoles and handheld units. Controllers and accessories that work not only with PCs but also with various gaming devices will be the production focus.

- Price projections are mixed with some having raised export quotes by 5 to 10 percent to defray additional costs in the past three months while others dropped prices by as much as 10 percent to remain competitive, especially since the entry-level and midrange sectors are targeted.

- The prevailing overriding goal of China suppliers is improved gaming experience. Leveraging the available technology, makers are rolling out models that deliver a full-sensory effect on the user. Overall, companies focus on adding value through the integration of new features and functions. Design trends are pointing toward innovative housings.

- To broaden their market scope, makers will tap into emerging markets in other parts of Europe and the Asia-pacific region in the coming months. They will continue to increase their presence in the EU and the US, which are the key export destinations.

- Makers are also improving production efficiency and sustaining development activities to strengthen OEM and ODM capability. Several are promoting their own brands.

This report covers video games and accessories, including video game consoles, video game controllers, electronic handheld and desktop video games, and video game accessories.

The Industry Overview section discusses developments in China's supply market and suppliers' strategies to strengthen their export performance. Trends in the line are also discussed in Products & Prices.

There are about 150 to 200 manufacturers in the region and the majority is engaged in mixed production, offering a wide variety of video game consoles, electronic handheld games and gaming peripherals along with controllers.

The Pearl River Delta region is the established hub of the line but about 90 percent of suppliers are located in Guangdong province, which boasts well-established industries that go back 20 years. Most companies are in Shenzhen city, while a few are based in Guangzhou and Zhongshan.

In this report

- 22 in-depth company profiles
- 25 additional suppliers
- 101 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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All product images are provided by the companies interviewed and are for reference purposes only. Those product images featuring products with trademarks, brand names or logos are not intended for sale. Products that are not the specific topics of editorial articles are shown for illustrative and/or demonstrative purposes only. We, our affiliates, and our affiliates' respective directors, officers, employees, representatives, agents or contractors, do not accept and will not have any responsibility or liability for product images (or any part thereof) which infringe on any intellectual property or other rights of a third party.

INDUSTRY OVERVIEW

The promising outlook for the global gaming industry is expected to give a boost to exports of video games and accessories from China. Recent patterns in the spending behavior, particularly in North America and Europe, the line's key markets, show an increase in purchases. Recovering from a lackluster economy, many consumers are opting for "staycations" and cutting down on trips to minimize travel expenses.

Although some China companies reported a downtrend in revenue in 2008 due mainly to fierce competition among themselves, the worldwide video game and interactive entertainment industry revenue will reach \$57 billion by the end of 2009, according to DFC Intelligence.

China's export sales, in fact, started to rebound at the start of H2 2009. These came primarily from hardware and software for video game and dedicated portable systems, and PC and online games—consoles and handheld gaming device sectors being the major growth drivers.

The global game console market will increase at an annual rate of 6.3 percent until 2012, while the mobile

gaming sector is expected to post an annual growth rate of 19 percent, according to PricewaterhouseCoopers. Consequently, the controller and accessory segments are poised for a boom as well.

In response, China suppliers are strengthening their export capability for novel video game consoles and handheld units. They are also beefing up output of controllers and accessories that work not only with PCs but also with various gaming devices.

The industry is, however, not without its challenges. China makers are hard pressed to roll out compatible products without violating the I/O platform property rights of international brands.

To address the issue, some companies are developing their own platforms or cooperating with third parties, such as chip manufacturers, to be able to produce their own I/O platforms.

Contrary to misconceptions, many China-made products do not infringe on Sony's, Nintendo's or Microsoft's IPR since different hardware and software solutions, albeit similar, are used. The bulk is designed to

Supplier summary

Suppliers surveyed	22
Export sales	\$121.7mn
Export ratio	71%
OEM business	59%
Capacity utilized	69%
Annual R&D spending	\$6.6mn
Full-time employees	6,510

Data: All surveyed suppliers

resemble these industry giants' selection but only outwardly.

Moreover, such models do not have the same ICs as those used by known brands, and run less complex games that are not graphics intensive. More importantly, these are almost always marketed as replacement units.

Another industry hurdle is the US Consumer Products Safety Improvement Act (CPSIA), which took effect on November 12, 2008. The new law imposes stricter lead and phthalate content requirements for all children's products shipped to the US. The law requires all foreign manufacturers and US importers to issue a third-party certificate of conformity for each model imported. On average, testing fees can add up to 10 percent to the overall production

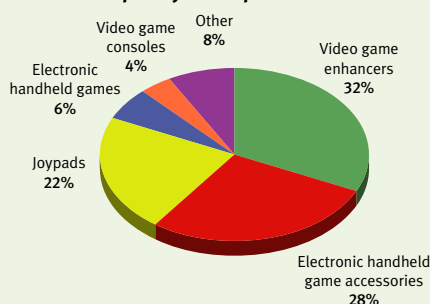
Global Sources online metrics

Video game accessories

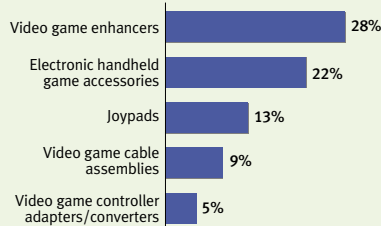
Online metrics are taken from buyer and supplier activity in the featured product group on www.globalsources.com in the month preceding publication of this update.

- **Buyer requests** track total inquiries from our worldwide community of more than 800,000 buyers.
- **Product profiles** represent the total number of unique products available from suppliers in our online catalogs.
- **New product postings** indicate the number of new product profiles added by suppliers during the period.

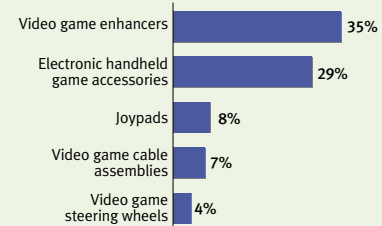
Top buyer requests



Top product profiles



Top new product postings



Percent of all online activity for this product group

E-Best International Electronics Co. Ltd

Guangdong-based E-Best is a trading company that offers a range of products, including consoles, controllers, electronic handheld/desktop video games and video game accessories, sourced from its partner factory.

Video games and accessories account for 60 percent of total export sales at E-Best. Overseas revenue from all products registered \$1 million last year.

Exports are expected to increase by more than 20 percent in the next 12 months. North America will be the

main target market in coming months.

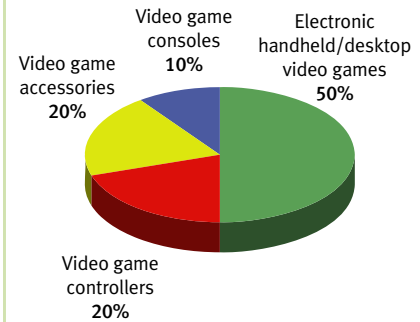
Product prices increased between 5 and 10 percent during past months. Export sales in the line average \$600,000 annually. Shipments go to North America, Europe, the Asia-Pacific region and the Middle East.

The mainland China-owned company spends \$30,000 on product development each year.

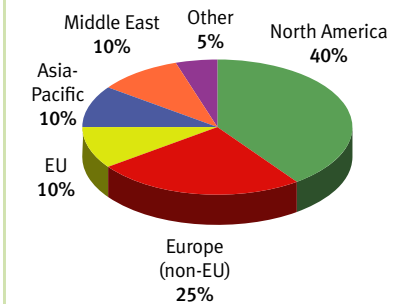
The company, which offers sample making, export documentation, shipping, aftersales consultation, and in-house packaging and assembly services, has 10 full-time employees.

Profile

Products made



Export markets



Contact details

Business contact

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Address

2F No. 2 Building, Xulian Industrial Zone, Longsheng Road, Longhua, Shenzhen, Guangdong, China

Company facts

Year established	2000
Business type	Trading company
Company ownership	Mainland China-owned
Head office location	Shenzhen (Guangdong)
No. of subcontracting factories	1
Factory location(s)	Shenzhen (Guangdong)
No. of full-time employees	10
No. of in-house R&D/design staff	•
No. of production line QC staff	1
Annual export sales (all products)	\$1.0mn
Annual R&D spending	\$30,000
ISO certification	No

Sales & output: Video games & accessories

Annual export sales	\$0.6mn
Share of total export sales	60%
Average monthly exports	8,000 units
OEM % of exports	40%
ODM % of exports	40%
OBM % of exports	20%
Other products traded	iPhone and iPod accessories

• Information not disclosed

Capability

Services provided

Sample making	Yes
Export documentation	Yes
Shipping	Yes
Aftersales	Yes
In-house packaging	Yes
In-house assembly	Yes
Dedicated capacity	Yes

Exports by product

Video game consoles	10%
Video game controllers	20%
Electronic handheld/ desktop video games	50%
Video game accessories	20%

Exports by market

North America	40%
European Union	10%
Europe (non-EU)	25%
Asia-Pacific	10%
Middle East	10%
Other	5%

Survey

- **Export prices**
Increased
- **Export price increase**
5-10%
- **Export sales**
Increase more than 20%
- **Target market**
North America
- **Capital expenditure**
Increase up to 50%
- **Major challenge**
Price competition
- **Export capability**
Improve operating efficiency
- **R&D focus**
Introduce wireless units

Popular export models



Video game accessory

Model	EB-DSIBC001
MOQ	500 units
Packaging	Color box
Delivery	10 days
Price	\$2.79

Description: Multifunction battery case; PC material; with screwdriver for DSi console, built-in 5,800mAh lithium battery; recharging through console; TT, R4 card ports; various colors



Video game accessory

Model	EB-PSK001
MOQ	100 sets
Packaging	Color box
Delivery	10 days
Price	\$25

Description: 2.1-channel PSP 2000/3000 speaker and mini subwoofer; with CPU chip, adjustable steering lever, remote control; bass, volume, mute, power controls; stereo, trichromatic aberration; A/V output; compatible with MP3/MP4 player, iPod, iPhone, mobile phone



Video game accessory

Model	EB-PSPEC008
MOQ	500 units
Packaging	Blister, color box
Delivery	10 days
Price	\$7.35

Description: PSP 2000/3000 charger; with built-in lithium battery; 5V, 700mAh output; 2,400mAh capacity; LED indicators; comes in black, white, blue, gold, red

PRODUCT GALLERY

Video game controllers



Everwin
(profile page 28)
Model: JPG-3205
MOQ: 1,000 sets
Packaging: Blister, color box
Delivery: 10 days
Price: \$2.50
Description: Replacement Wii MotionPlus 5-in-1 sports pack; ABS material; with 1 steering wheel, 1 tennis racket, 1 baseball bat, 1 golf club, 1 wrist strap; compatible with all Wii MotionPlus games



Everwin
(profile page 28)
Model: JPG-3146
MOQ: 1,000 units
Packaging: Gift box
Delivery: 10 days
Price: \$2
Description: Light gun with sounds, vibration, LED blast effects, dual trigger; ABS material; compatible with Wii MotionPlus; rubberized grip; runs on 2 AAA batteries



Everwin
(profile page 28)
Model: JPG-3120
MOQ: 1,000 units
Packaging: Color box
Delivery: 7 days
Price: \$0.45
Description: Replacement Wii steering wheel; ABS material; compatible with Wii MotionPlus; various colors



Futime
(profile page 30)
Model: FT38E1
MOQ: 1,000 units
Packaging: Gift box
Delivery: 35 days
Price: •
Description: Replacement steering wheel with gearshift stick for PS3/PS2, Xbox/ Xbox 360, GameCube or Wii; ABS material; supports Windows 9x/Me/2000/XP/Vista x32/x64; 235mm, 270-degree steering angle, autocentering function, sensitivity switch



Futime
(profile page 30)
Model: FTQ6B3
MOQ: 3,000 units
Packaging: Blister
Delivery: 35 days
Price: •
Description: Wireless controller; ABS material; with dual trigger, turbo fire button, 2 internal motors for vibration effect; 6-axis control; supports up to 7 controllers simultaneously; Bluetooth, USB port; built-in lithium battery; 48.5x41.5x35.5cm, 9.8kg; 3m cable



Futime
(profile page 30)
Model: FT39C1
MOQ: 1,000 sets
Packaging: Gift box
Delivery: 35 days
Price: •
Description: Replacement steering wheel with gas, brake pedals and gearshift stick for PS3/PS2 or Xbox360, Wii; ABS material; supports Windows 9x/ME/2000/XP/Vista32/Vista64; 2 internal motors for vibration effect; 64.5x41.5x62cm, 17kg

• Information not disclosed