

Chinese Mobile Gaming Company Chukong Wins \$50M

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Chinese mobile gaming company Chukong Technologies Inc. has raised \$50 million from investors to make its games social and to cement its role as a distribution platform before filing for an IPO next year.

The Series D infusion, which VentureWire learned was done at a post-money valuation of \$500 million, brings total outside funding to \$83.2 million.



Chukong Technologies Inc.

Art from a game by Chukong Technologies Inc.

Chinese venture firm New Horizon Capital led the recent round, with participation from existing investors GGV Capital, Steamboat Ventures, Sequoia Capital's China Fund and Northern Light Venture Capital. Investors from New Horizon and GGV were not immediately reachable for comment.

Investors are piling on at a critical time for both Chukong and the Chinese mobile gaming market. Smartphone adoption has exploded from 200 million at the end of 2012 to more than 500 million by the end of 2013, according to Niko Partners, a market research firm specializing in the Asian gaming market.

Mobile gaming is the top application, with the Chinese mobile gaming market expected to grow from \$1.2 billion in 2013 to an estimated \$4.3 billion in 2017.

"Social interaction is very important" in mobile games in China, said Lisa Cosmas Hanson, managing partner and founder of Niko Partners, noting instant chat and other features are key to success among users. "The main impetus for gaming is social."

To that end, Chukong will use much of the recent infusion to build out social features for its games.

"We are trying to solve a key pain point in a game, which is communicating," said Lei Zhang, U.S. general manager of Chukong. Mr. Zhang said chat and discovery to enable synchronous gameplay are among the new features planned. "We're trying to solve the problem of who to play with."

Founded as a mobile gaming developer forum in 2008, Chukong has two main parts to its business. It has developed and published eight of its own games, including Fishing Joy, and publishes another 52 games for third parties including **Disney**, Nexon, Gamevil and **Gameloft**. All games are published under the CocoaChina brand, are free to download and make money through in-app purchases.

Chukong reports 63 million monthly active users, five million of which are paying customers. Chukong has partnerships with major carriers and with Alipay, which handles the backend payment for developers-- a major issue in China since few Chinese have credit cards. Chukong, which reports revenue increasing 14X for the first six months of 2013 compared to the same period in 2012, then shares the revenue with the developer and carrier or payment processor. Chukong is also in the business of seeding the ecosystem of new games. It supports and maintains cross-platform open source game engine Cocos2D-x, which is free to developers and provides character animation and other tools to build games. The idea, according to Mr. Zhang, is to create a natural pipeline of new titles for the parent company.

The company reports more than 400,000 developers in 150 countries using the platform, including 70 percent of the top grossing games in China. He said Chukong does not charge for the service, however, and does not own any product developed on the platform.

For Chukong, which expects to generate roughly \$163 million in 2013 annual revenue, the cash comes as it competes to maintain its early foothold in mobile. Competitors, including **Tencent Holdings Ltd**, are larger and have recently dedicated fresh resources to its mobile gaming operations.

With headquarters in Beijing, Chukong also has operations in Tokyo, Seoul, Taipei and Menlo Park, California. It employs 700 worldwide.

Chukong Founder Chen Haozhi said in August he would launch a U.S. IPO within a year.

<http://www.chukong-inc.com>

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