

China Telecommunication Weekly

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EDITORIAL SUMMARY

EMERGING COMPANY PROFILE

Fugu Mobile Ltd.

Headquartered in Shanghai, Fugu Mobile Ltd. is a mobile game developer and a full-service mobile marketing agency. Fugu Mobile has offices in both India and Shanghai. The office in India mainly focuses on research and development of mobile games, while the Shanghai-based office, with up to 10 employees, specializes in R&D and marketing of mobile games.

Founded in early 2006, Fugu Mobile develops casual mobile games across various categories, including action, arcade, multiplayer, racing, strategy and sports. The company has so far released 78 games.

The company's games can now be found on up to 26 mobile communications operators worldwide, such as AirTel, AIS, Brazil Telecom, China Mobile, Globe Telecom, OPTUS, Virgin Mobile, Telstra, Vodafone, vinaphone, Telcomsel, SMART, BPL Mobile and others.

In addition to mobile games, Fugu Mobile also works with brands to develop games and applications that they can use tactically for marketing promotions, including brand awareness and sales-linked campaigns.

Contact Information

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E-mail	sales@fuqumobile.com
Website	www.fuqumobile.com
Date of establishment	2006

Source: the company's Web site

Core businesses

The company acts as a mobile game developer and a full service mobile marketing agency worldwide.

Performance Roundup

In March 2007, Fugu Mobile launched an in-game mobile advertising platform. The ENRAPTURE AD PLATFORM allows brands to be part of a highly engaging game or application for the mobile phone screen.

Listing plans

The company has not unveiled any listing plans yet.

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INTERVIEW

Interview with Ravi Shankar Bose, VP of Fugu Mobile



Ravi Shankar Bose. Photo courtesy of Fugu Mobile.

Fugu Mobile is an emerging mobile game developer as well as full service mobile marketing agency headquartered in Shanghai. *Interfax* recently conducted an interview with Ravi Shankar Bose, the company's co-founder and vice president of International Operations.

Ravi Shankar Bose and Ranjit Singh, the two founders of Fugu Mobile, used to work with Mobile2win, a mobile gaming and marketing service provider based in China and India, whose China arm was acquired by Tokyo Disney in April 2006. Bose was the head of gaming business for Mobile2win where he had been involved in setting up the mobile gaming business and making it profitable in two years. Singh was responsible for Mobile2win's mobile marketing business.

Interfax: "Fugu" is the name of a type of fish in Japanese. Why is the company named Fugu Mobile?

Bose: The name Fugu is simple and easy to pronounce. It is an interesting name, so it is easy to remember. We want to give our name a Japanese touch because the Japanese are good at developing games.

Interfax: Who are the investors of Fugu Mobile?

Bose: Fugu Mobile is invested in by private Indian investors based in India.

Interfax: Can you tell us about the history of Fugu Mobile and its business?

Bose: Fugu Mobile was set up one year ago. The core business focuses of the company are mobile marketing and mobile gaming. Fugu Mobile is headquartered in Shanghai. We have nine people here in Shanghai. Three of them are Indian and six are Chinese. We have four developers and programmers, one illustrator, one designer, one project manager and two people in business development at our Shanghai office. All the sales are done at our Shanghai office.

We also have a small development team in India consisting of five people right now.

On the mobile gaming side, we work with telecom operators and direct-to-consumer portals worldwide. We have tie-ups with them. We create the games here and distribute the games to the telecom operators.

On the mobile marketing side, we work with a lot of big brands and advertising agencies. We create end-to-end marketing solutions for these brands and execute them. The solutions include right from the idea concept stage to the execution of them.

Those are the two primary businesses and our focus is always China and India. We do work with a lot of other global entities, such as telecom operators and brands.

Interfax: Why did you choose to set up the business in China?

Bose: For us it is very important to tap into the Chinese market, because China and India are the largest two markets. We had already spent seven years in China, looking into the telecom sector. So we knew the market and were comfortable working with most of local Chinese. That was the main reason why we chose China.

Another reason was the very fast development in China and India.

The third reason was that setting up operation is much more economical and the development cost is cheaper here. There are lots of people who want to get into the gaming sector and are very talented in China.

Combination of all these factors was taken into account when we set up the business in China.

Interfax: What are your primary markets?

Bose: For our gaming business, our primary markets are Italy and the United Kingdom in Europe, the United States, Brazil and Chile in South America, South Africa, and many Asian countries such as China, India, Thailand, Philippines, Malaysia, Indonesia and Vietnam. Our games are offered in 35 countries.

For the mobile marketing business, China is a big market for us. Apart from China, we are also working with clients in the U.S. and Italy.

Interfax: Can you explain your business model?

Bose: For the gaming business, typically the revenue comes from the end consumers, with a revenue share basis with the telecom operators. When an end consumer downloads the game, typically the cost will be about \$1 to \$5. Part of it is kept by the telecom operator and part of it comes to us. Most of the operators go by the 50-50 revenue share model.

For the mobile marketing business, the revenue comes from the brands. The advertising agencies pay us a fixed-fee for the development of the complete marketing solution.

Interfax: Can you explain what kind of mobile marketing solutions you provide?

Bose: Most of our mobile marketing campaigns are based on the rich media mobile platform, which is an interactive Java platform. Some of the solutions that we use are gaming solutions. So you would have a game that is built on a brand and highlights a brand's theme. Our solutions also include other applications such as mobile catalogs, magazines and coupons. Everything is based on the rich media mobile platform and provides three to five minutes of interaction.

The games based on brands are normally offered free of charge to the consumers.

Interfax: Which telecom operators do you work with?

Bose: In China, we are working with China Mobile. In India, you will find our games on Airtel and Hutch. In Australia we work with Optus and in Italy we work with the 3G operator H3G. We work with operators in the United States too.

We also work with direct-to-consumer portals, such as Buogiorno in Italy.

Interfax: Who are your mobile marketing clients?

Bose: Our mobile marketing clients include Volkswagen, Martell and Head & Shoulders. We also work with advertising agencies such as Ogilvy and Starcom.

Interfax: How is your experience with China Mobile?

Bose: The issue we found working with China Mobile is that we have to go through a long review process to put any of our games on China Mobile. After the process is complete, it takes another two to three months just to put the games on China Mobile's portal. That has been our experience.

Currently China Mobile is trying to cut down the process, so it becomes much easier for the content providers. It used to take three to four months to put any game on China Mobile. Now they are cutting it down to one month.

In the past, we had to go to Beijing to present the game to a review committee, who would check the game's functionality. After the game passed the functionality test, it would go through a technical test. There were long gaps between the functionality test, the technical test and the uploading of the game to the portal.

Now China Mobile is trying to streamline the process. Testing of the games will be done very quickly. A lot of it will be done automatically. We hope that in the next two months, the new process will be in place so that putting games on China Mobile will be much faster.

Interfax: Is there any difference between the way you work with China Mobile and that with other carriers?

Bose: For us, how quickly we can put a game on an operator is very important. For example, if we work with Optus in Australia, within two weeks the games are uploaded. Say if we work with an operator in Italy, the H3G, it takes about one month to one and a half months. This is eventually what can happen with China Mobile too. How much time it takes to put the games up is the primary difference we have found.

Another difference is in pricing. In the western countries the pricing is higher, and in China and India it is much lower. Otherwise, most of the operators function in the same way.

One thing I would like to mention is the difference of revenue share. While most of the operators split the revenue evenly with us, China Mobile is the very few who gives away 85 percent to their content providers. So it is very advantageous to work with China Mobile.

Interfax: Are there any Fugu Mobile games at China Mobile's Treasury Box gaming channel now?

Bose: We have three to four mobile games that are under the process to be uploaded to the Treasury Box. In the next two months, you will be able to see some of our games there.

Interfax: What kind of games are they?

Bose: Most are casual games that are easy to play and understand. You don't have to be a hard-core gamer to play them. They are easy to understand and very addictive. It only takes three to five minutes to play a game.

One of the features that we provide for the mobile games is to allow players to submit their scores. For any of our games, at the end of the game you can submit your score on the global leader board so that you will see your global ranking. It's something that people are interested in.

We focus a lot on the topic of games. For example, when there was a bird flu going on in the Asian countries, we created a funny game based on the bird flu. When the Chinese New Year comes, we would create games for the Chinese New Year. Whenever there is an interesting topic or event, we create games for it.

Right now we have a portfolio of 78 games. Actually not many companies in the world have so many games.

Part of the reason that we have so many games is that our development center is in China. The quality of developers and designers is very high and the execution is very fast. That's why we have been able to create games for these events.

We have been in business for one year, and the number of games that we have is 78. It is a very large number. Every month we release 6 new games. So next month you will see the number to rise to 84.

Interfax: How do you select the themes for your games? Do they need to appeal to different cultures?

Bose: We try to select the themes that will work overall. For example, the Chinese New Year is not only known in China, but also in other markets like Singapore, Malaysia, Thailand and Hong Kong. Not only the Chinese communities celebrate it, but also other people know about the Chinese New Year. So we choose themes that are local but also well known around the world. We also choose the Christmas theme, which is not only popular in the Western world but also inside China.

Interfax: What about the language of the games? Do you need to translate the language and create different versions of games?

Bose: Yes, if a game is distributed in China, the language is simplified Chinese. In Italy, we translate it into Italian and in Russia Russian. In the U.S., of course, the language is English. Most of the other Asian countries use English. English works for Thailand, Vietnam and the Philippines.

Interfax: China Mobile has strengthened its policy on the value-added service providers. Does that affect your business?

Bose: It does not affect so much on the gaming side because in the gaming sector there is no spam. We do not push any game on the consumers. People go to the Treasury Box themselves to download the games. As long as we do not push or spam people, China Mobile's new policy does not affect us too much. But for other service providers, such as SMS (short message service) providers and WAP (wireless application protocol) service providers, it does affect.

Interfax: How is the company's financial performance? It is already making a profit?

We have broken even month on month the last couple of months. So month-on-month we are profitable. The company is growing now. We see a lot of new businesses coming in both on the mobile gaming and marketing side. As our game portfolio grows, we gain more business and revenue. On the mobile marketing side, as we do more campaigns, the brands get more interested. We have made a good start and the company is growing very fast right now.

Interfax: Which business contributes more revenue, the marketing or the gaming business?

Bose: Right now it is 50-50. In the future we think the mobile gaming business will scale up faster than the mobile marketing business.

Interfax: Shanghai Mobile recently canceled an unlimited GPRS package. Will that affect your gaming business?

Bose: Not really. Because for downloading a game, the GPRS cost compared to the downloading cost is very small. For example, you download a game that costs RMB 8 (\$1.05), the GPRS cost that you would pay for downloading the game is about RMB 0.5 (\$0.06). So when people download games, the GPRS cost is not very relevant. Once you have downloaded the game, it is on your phone and you don't have to pay any fee.

Only if you use the online feature you will need to pay for the GPRS fees. Online feature means you submit your score to our global leader board or play with other users.

Interfax: Do you plan to work with China Unicom in the future?

Bose: We definitely want to work with them in the future. We are looking for opportunities where we can present to them something unique. Even though China Unicom's market share is only 20 to 30 percent, in terms of subscriber number, it is very large. So they are definitely one of our targets.

Interfax: China Unicom offers CDMA service. Do you need to modify your games for the CDMA platform?

Bose: Yes. For CDMA, the games have to be on the BREW platform. Currently we have Java games. If we have convert to BREW, we need to redevelop everything. In that way it matters because we have to put in additional effort to convert the games.

Most of the carriers that we currently work with now use GSM.

Interfax: Do you have any plan for listing?

Bose: It is a very early stage to talk about listing. Right now our plan is to raise more money, so that we can expand and get to the next level. Once we reach the next level, it is the right moment to consider going public.

Interfax: China is planning to roll out 3G service next year. How will you see 3G affecting the mobile business?

Bose: Basically once 3G comes, you will see a lot more mobile online games. Right now if we play, say a card game, it is turn-based. I play once, and you play once. But once 3G comes in, you will have real-time playing, such as the very fast car race. So when 3G comes, you will see lots of online features added to the games. For example, you can see 10 people playing the same game at the same time instead of only 2 people.

Interfax: What is the difference between PC games and mobile games?

Bose: The PC games are for much more hard-core gamers. For example, I go back home, switch on the PC and play the game. When I do that I know I am going to sit in front of the PC and play the game for one hour. So you have to plan for playing PC games. But on mobile phones, playing games is much more instinctive. For example, when you wait for somebody, you can pick up your mobile phone and play a game for three to five minutes. You will not play a mobile game for one hour, because your eyes will get strained staring at the very small screen. The mobile game is much more on the casual gaming sector.

In the mobile field, we target each consumer that has a mobile phone. For PC games, you have to see if the consumer is a gamer. There are a lot of mobile gamers who have never played a PC game.

The potential market for mobile games is bigger, and the cost is less. Each mobile game costs RMB 5 (\$0.66) to RMB 8 (\$1.05). PC games are much more expensive.

Interfax: When 3G rolls out in China, China Telecom and China Netcom may also receive 3G licenses. Will you also want to work with them?

Bose: Yes. The market will be more competitive with more operators. Every operator is looking for something unique. So as a content provider, it gives us more options. The competition is good for the end consumers too. Because they will see more types of content and the pricing will go lower.

Interfax: What advantage do you have compared with the local gaming companies?

Bose: Our market is global. So revenue comes from around the world. In China, until China Mobile's new process comes in we are not taking any revenue. However we are still making revenue because we work with a lot of operators and brands outside china.

None of the local companies distribute outside China. They only depend on China Mobile and have a hard time getting their games on China Mobile.

Our business is less risky than the local developers.

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SURVEY

Chinese mobile phone user satisfaction declines in 2007

By Iris Hong

A survey by CCID Consulting, a Beijing-based research firm, has found that the mobile phone user satisfaction rate in China has declined this year by 1.79 percentage points to 38.89 percent, compared with last year.

CCID's survey data revealed that from 2001 to 2004, the mobile phone user satisfaction increased continuously. During this period, mobile phones were introduced to the public as new products, and manufacturers focused on building their brands and providing good services. The service satisfaction rate was stably improving.

However, from 2005 the mobile phone service satisfaction rates began to slide. Along with the increase of mobile phone manufacturers and the emergence of multimedia functions, consumers demand more after-sales services than simply the repair and maintenance services. The satisfaction rate declined for the first time because the consumers' demand for services could not be met.

In 2006, domestic mobile phone manufacturers continuously reduced the cost of their products and expanded their service networks and scope of services to meet the market demand. Therefore, the service satisfaction rate rose slightly.

In 2007, because of changes in the market structure, service satisfaction rate has dropped again, CCID said.

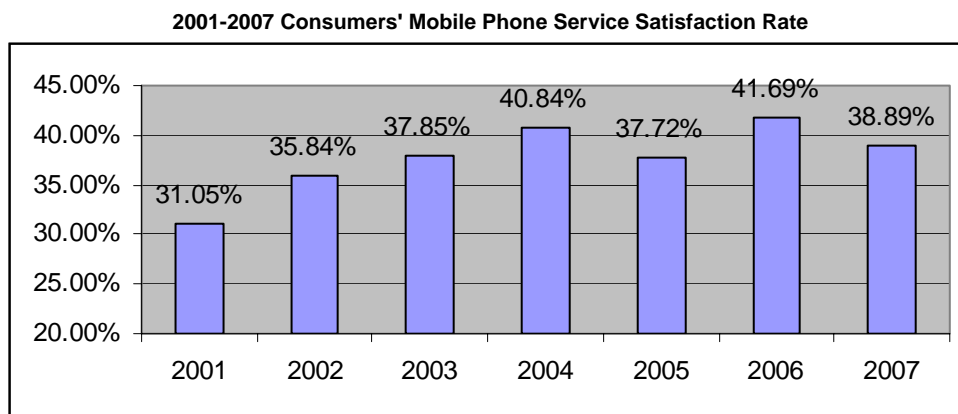
Part of the decline of satisfaction is attributable to the increase of "black handsets" in the market, Jiang Lifeng, a senior analyst from CCID Consulting's consumer electronics consulting department, told *Interfax*.

"Black handsets" is the local name for smuggled, counterfeit and refurbished mobile phones in China. The quality of smuggled handsets is normally the same as legal products. However, after-sales services for them are limited. The quality of counterfeit and refurbished mobile phones is typically poorer than their legal counterparts.

"Our research found that the sales volume of black handsets in China was approximately 23.43 million during the first six months of this year," Jiang said.

The volume of handsets sold legally during the period is estimated to be 72.2 million units, meaning that black handsets account for almost one-quarter of the market, he said.

The black handset market in China is expanding rapidly, according to CCID's findings. The research firm said that 7.28 million black handsets were sold in China in the first six months of 2005, and that this figure had more than doubled to 15.82 million in the first six months of 2006.



Source: CCID Consulting

Results of mobile phone user satisfaction survey

It took five months for CCID to complete the survey. The survey geographically covered 31 municipalities, provinces and autonomous regions, covering the fields of manufacturing, operation, distribution and content services. It included different survey methods, including online survey, telephone interviews, e-mails and snail mail. A total of 26,839 valid samples were obtained.

After assessing the survey data, a group of experts released the "Eighth CCID Chinese Mobile Phone User Satisfaction Survey Results." Awards were given to mobile phone manufacturers that achieved high rankings in the survey.

Awards	Manufacturers
2007 Consumer Satisfaction Award	Motorola, Lenovo, Nokia, Haier, Sony Ericsson, TCL
2007 Service Innovation Award	Motorola, Lenovo
Maintenance Quality Award	Nokia, Haier, TCL, Samsung
Trusted Service Award	Lenovo, Motorola, Haier, Nokia
Award for Environmental Protection and Health	Lenovo, Motorola, Bird

Source: CCID Consulting

Problems most complained about by consumers

The survey found that consumers who only need basic calling functions of mobile phones only require the traditional after-sales repair service. CCID's survey data showed that 68 percent of consumers have repaired their mobile phones, while 28 percent of consumers have repaired their phones more than three times. These consumers think that many problems still exist with the mobile phone services.

Unclear fee schemes, unidentified reasons for malfunctions and high prices for accessories are the problems most complained about by consumers. This shows that consumers not only want to understand the products better when they make purchases, but also the fees for services, so that they can protect their rights.

Currently, some manufacturers have recognized the changes in consumers' demand and have subsequently improved their services. For example, Lenovo launched a same-day repair service, and promises to repair a single product within three days. It has also launched a "fix in one hour" service to improve its service efficiency.

Reasons for replacing mobile phones

With more and more mobile phone functions being added and the overall market prices going down, consumers are replacing their mobile phones more frequently. The number of new mobile phone buyers in the market is decreasing, while most are repeated buyers, and their replacement of mobile phones are becoming more common.

CCID survey data indicates that 41.9 percent of the respondents replaced their phones due to the "poor quality" of the original products, while 29.9 percent replace their phones because "appearance is not in fashion." 20.5 percent of the respondents changed their phones due to attraction to other brands, while 10.88 percent replaced phones because of phone damages or losses.

Overall, product quality and the desire for new functions are the main reasons that consumers replace their phones.

Third party after-sales service providers

China's mobile phone industry has entered a smooth development period. As third generation (3G) mobile communication services will soon roll out in China, mobile phone users will have higher demand for mobile phone services.

Third-party after-sales service providers can help to improve overall services satisfaction in China's mobile phone market, CCID said. Their existence benefits both the manufacturers and the consumers.

However, it is still uncertain whether independent third-party after-sales service providers will get a firm foothold in the market and win the consumers' recognition.

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