

# Gambling Supplies

## China Sourcing Report



### Essential sourcing intelligence for buyers

#### China manufacturer profiles

Detailed profiles of 74 suppliers, including findings from in-person tours of 14 factories

#### Product & price trends

Prices and specifications of 232 top-selling export products

#### Supply centers & market trends

Coverage of leading and emerging supply centers, plus insight into capacity, output and R&D

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# GAMBLING SUPPLIES

## Supplier capability in China

### EXECUTIVE SUMMARY

Exports of playing cards and gambling tables from China are increasing—even as overall gambling supplies continue to follow a downward sales trend. Specifically, \$20 million worth of playing cards, or nearly 180 million decks, were shipped from January through May 2006 compared with 171 million decks worth \$19 million during the same period in 2005.

On the other hand, shrinking foreign demand for poker chips, the low-value, high-volume product that represents the bulk of China's gambling supply exports, has changed the entire industry.

Many manufacturers that produced only chips have been forced to close, while other makers have chosen to diversify their product lines to include more gambling and nongambling items.

Table suppliers, however, are actually boosting output and upgrading product quality in order to strengthen their market positioning and attract business in an increasingly competitive industry.

China makers are offering more upscale products to avoid intense price competition in the low-end market. Most new product releases are casino-grade models: ceramic poker chips, hardwood poker and blackjack tables and automated card shufflers with imported motors. Some of the larger companies are even aiming to increase exports of professional-use products to foreign casinos.

The following are some of the key trends we see in China's gambling supply manufacturing industry:

- Gambling supplies for home entertainment use will continue to be China's mainstay for the next several years. Although some makers will try to export more professional-use models to foreign casinos, most still lack the technology needed to meet the stringent manufacturing and security standards of casino-use gambling products.

- Many China makers will raise export prices in the next 12 months. Nonetheless, most companies will limit increases to 10 percent due to intense price competition.

- While most companies still consider the US a major export market, a number of suppliers have started to explore alternative markets in anticipation of slowing US demand. Shipments to the EU, New Zealand and Australia, therefore, will rise during the next 12 months.

Playing cards, poker chips, gambling tables and automatic card shufflers dominate China's gambling supply exports. This report features these products.

The Products & Prices section describes the main materials used to make products and other significant factors that determine price and quality, while the Manufacturing section details the start-to-finish steps makers perform during production.

The Industry Overview analyzes the supplier base, differentiating companies and highlighting important market conditions and issues.

The majority of gambling supply companies in China are privately owned, while a few are foreign-invested.

Reflecting this industry structure, 92 percent of suppliers featured are China-owned, and the rest are foreign-invested.

Since Guangdong, Zhejiang and Shanghai are the country's main production centers for gambling supplies, more than 85 percent of the manufacturers in this report are based in these areas.

In particular, Zhejiang province, with its strong ancillary industry for plastic molding, exports more than half of China's gambling supply products. Two-thirds of interviewed makers are located in this province.

### In this report

- 14 in-depth company profiles
- 60 short company profiles
- 232 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics and 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.

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

For in-depth profiles, our research teams visited the manufacturing facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other companies in this report were either visited or contacted by phone.

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

All suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. The survey was carried out during phone interviews and in-person factory visits. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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### INDUSTRY OVERVIEW

In 2005, China exported 776 million playing cards, casino-type entertainment and other accessories such as articles for parlor games worth \$319 million, according to customs statistics. In 2004, 616 million units worth \$277 million were shipped.

Despite the rise in overseas sales, the growth rates for export volume and value have slowed. In 2004, both volume and value increased nearly 60 percent from 2003, but between 2004 and 2005, gains were modest: 26 percent for volume and 15 percent for value.

It is important to note, however, that gambling supplies represent only a portion of a broad product category. Reports from industry makers confirm there is an overall weakening of gambling supply export sales.

Export sales declined further at the beginning of 2006. From January through May, China exported almost 245 million playing cards, casino-type entertainment and related accessories worth \$71 million.

During the same period in 2005, almost 280 million units worth \$97 million were shipped. This decrease in exports marks a 27 percent drop in value and a 12 percent drop in volume.

Fluctuating poker chip sales provide the most likely explanation behind the significant increase between 2003 and 2004, the low export value, high export volume trend from 2004 to 2005 and the 2006 slump in overseas shipments.

On the other hand, playing card exports continue to increase, although growth rates of this specific product have also slowed. In 2004, annual export value jumped 26 percent and volume 18 percent from 2003. Nonetheless, when compared to the period between January and May 2005, the same five months in 2006 show only a 4 percent gain in value and a 5 percent increase in volume.

Large card companies, however, are still spending big money to boost production capacity. For example,

Shanghai Yuchen, which supplies promotional products to international brands such as Coca-Cola and Budweiser, expects export sales to increase more than 20 percent through 2007. The maker plans to improve efficiency by purchasing additional automated machinery to equip the unused half of its 150,000sqm factory.

Currently, poker and blackjack tables represent the fastest growing product line. Manufacturers prefer the higher prices these products command and plan to increase output. Hangzhou Conic, a small Zhejiang maker, expects table sales to increase more than 20 percent in the next 12 months and in response, will build a new factory.

As a secondary product line, automatic card shufflers have not experienced any major swings in export sales. Export numbers for shufflers remain steady.

Nonetheless, the larger gambling supply industry trend indicates a general slowing of sales growth, particularly to the primary market, the US. Consequently, the supplier base has started to consolidate as the number of makers, mostly small chip companies, decreases.

In spite of this shake-up, most companies are still confident export sales will rally. In fact, they anticipate increased shipments and will boost production in order to prepare for the surge. The majority of makers even plan to increase prices.

#### **Poker chip makers forced to fold**

Chip exports exploded between 2001 and 2004 as Texas Hold 'Em poker became an international phenomenon. Enormous demand, particularly from the US, resulted in increased output from existing China makers and market newcomers. During those boom years, buyers paid as much as a now unheard of \$1 per chip.

Beginning in 2003, the chip manufacturing industry swelled with fair-weather makers that wanted to take

#### **Supplier summary**

Suppliers surveyed	74
Export sales	\$159mn
Export ratio	71%
OEM/ODM business	75%
Capacity utilized	82%
Annual R&D spending	\$13.9mn
Full-time employees	24,267

Data: All surveyed suppliers

advantage of high foreign demand. Because chip production requires only plastic-injection machines, many companies that already had this equipment simply swapped molds and started making chips.

The increased production resulted in fierce pricing competition among makers as low-end chips flooded the market. In 2004, prices began to fall, some more than 65 percent.

Profit margins shrank, and buyers had so many makers from which to choose that many chip companies began to lose business. Most manufacturers in Guangdong and Zhejiang provinces report their sales of poker chips have plummeted 50 percent since 2004. In fact, an estimated two-thirds of chip suppliers have stopped production, and more will follow.

Chip companies that stay in the industry depend largely on long-term customer relationships. These makers are typically well-established and have cultivated a loyal base of repeat buyers.

Other persevering chip makers are investing in R&D and improving the quality of their products. By offering more high-end models, they expect to face less market competition and to expand profit margins.

For example, Dongguan Hanxin, a supplier for the Hong Kong gaming trading firm Merchant Ambassador (Holdings) Ltd, started production of ceramic chips in March 2006. Its R&D team is also working on a model that will feature a built-in identification microchip for automatic value reading by machine.

### Cixi Mingxin Plastic & Rubber Fty

Established in 1990, Cixi Mingxin specializes in manufacturing poker chips and chess sets but also offers silicone and plastic products, including spatulas, loaf pans and cookware lids.

In 2005, the company exported \$2.4 million worth of poker chips.

The US and the EU are its two biggest markets, absorbing 70 percent of shipments. Some exports also go to Canada.

All poker chips are shipped under OEM orders.

The silicone and plastic products, on the other hand, are sold domestically under the in-house Chonghu brand.

Cixi Mingxin is building a new factory that is expected to increase poker chip production by up to 50 percent. The facility will open by the end of 2006.

#### Products

Cixi Mingxin's poker chips are made of locally sourced ABS and clay composite.

Clay composite is a mixture of 70 percent plastic and 30 percent clay.

Ten percent of chip output targets the high-end segment.

Chips are sold in sets of 100 to 500 pieces that also include two decks of playing cards and a dealer button. Approximately 70 percent of poker chip sets are packed in aluminum cases, while the rest are packed in wood cases.

Buyers may also request other types of packaging.

ABS and clay composite chips are priced the same. Sets of 100 pieces average \$2.50, while 500-piece sets are priced between \$10 and \$15 per set.

The company's 10-member R&D team requires two weeks to complete countersamples of buyer designs.

The team releases up to five products each year. R&D efforts focus on chip patterns. It is also developing new models made of AS imported from Japan.

Cixi Mingxin reduced prices as

#### Capability

##### Production checklist

Assembly lines	3
R&D/design staff	10
QC staff	5
Multicolor printers	—
Cutting machines	—
Alignment machines	—
Coating/rolling machines	—
Plastic-injection machines	10

##### Exports by product

Playing cards	—
Tables, tabletops & layouts	—
Poker chips	100%
Automatic card shufflers	—
Dice	—
Dealer shoes	—

##### Exports by market

United States	30%
European Union	40%
Europe (non-EU)	—
Middle East/Africa	—
Asia	—
Other	30%

#### Outlook

- **Export prices**  
Increase up to 5%
- **Export sales**  
Increase up to 5%
- **Production capacity**  
Increase 20-50%
- **Expansion plan**  
Build new factory
- **Hot product trend**  
More graphic designs
- **Major challenge**  
Cost of raw materials
- **Efficiency improvement**  
Reduce raw materials wastage
- **Capability improvement**  
Shorten design & development lead time

#### Profile

##### Company facts

Year established	1990
Head office location	Ningbo (Zhejiang)
Business type	Manufacturer: Direct exporter
Ownership	Mainland China-owned
Factory location(s)	Ningbo (Zhejiang)
Total factory area	3,000sqm
Full-time employees	180
Total annual sales (all products)	\$3.0mn
Annual R&D spending	\$0.02mn
R&D % of sales	0.7%
ISO certified	No

##### Sales & output: Gambling supplies

Annual sales	\$2.4mn
Share of total sales	80%
Annual export sales	\$2.4mn
Total monthly capacity	10,000,000 pieces
Average monthly output	6,000,000 pieces
Capacity utilized	60%
Average monthly exports	6,000,000 pieces
Export ratio	100%
OEM/ODM % of exports	100%

much as 40 percent in 2005 due to cutthroat competition.

During the next 12 months, however, prices are expected to increase 3 percent. This is mainly due to rising material costs.

**Manufacturing**

The company's 3,000sqm factory comprises three workshops for raw material processing, production and packaging. The plant has 180 full-time employees.

To make the metal inserts for clay composite chips, iron sheets are cut into small pieces and drilled with holes to better fit into molds. Approximately 35 percent of metal inserts are locally sourced.

ABS and clay are mixed with pigments in the material processing workshop and transferred to the production area.

Eight employees operate 10 plastic-injection machines that can each produce six chips per press.

One side of the chip is molded first and followed by the other side. After injection, workers collect the finished pieces and trim their edges.

QC members visually check each chip. Approved chips are wrapped in PP plastic and then, packed with other gambling accessories in cases.

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**Popular export models**



**Poker chips**

Model	CH730
Minimum order	50,000 pieces
Packaging type	•
Delivery time	15 days
Indicated price	•

**Description:** ABS body with metal insert; four-color; 40mm diameter; 3.4mm thick; weighs 11.5g



**Gambling set**

Model	300D
Minimum order	500 sets
Packaging type	•
Delivery time	20 days
Indicated price	•

**Description:** 500-piece set in aluminum case; ABS body with metal insert; four-color; 40mm diameter; 3.4mm thick; each chip weighs 11.5g



**Poker chips**

Model	CH734
Minimum order	50,000 pieces
Packaging type	•
Delivery time	15 days
Indicated price	•

**Description:** ABS body with metal insert; four-color; 40mm diameter, 3.4mm thick; weighs 11.5g

• Information not disclosed

### PRODUCT GALLERY

#### Poker chips



**Changzhou DNWK**  
(profile page 50)  
**Model:** CAC06001  
**Minimum order:** 100,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 20 days  
**Indicated price:** \$30.00 per 1,000 pieces  
**Description:** Clay composite; three-color; 40mm diameter; 4mm thick; in blue, red, green, white, black; weighs 14g



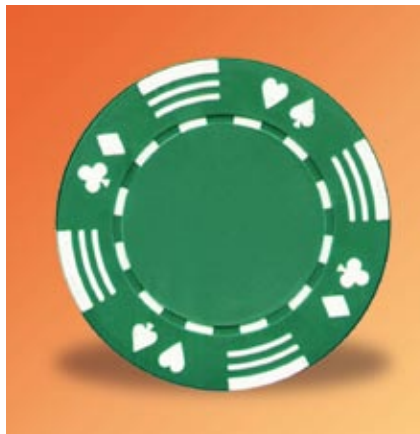
**Changzhou DNWK**  
(profile page 50)  
**Model:** CAC06005  
**Minimum order:** 100,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 20 days  
**Indicated price:** \$22.00 per 1,000 pieces  
**Description:** Clay composite; two-color; 40mm diameter; 4mm thick; in blue and white; weighs 14g



**Changzhou DNWK**  
(profile page 50)  
**Model:** CAC06007  
**Minimum order:** 100,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 20 days  
**Indicated price:** \$30.00 per 1,000 pieces  
**Description:** Clay composite; three-color; 40mm diameter; 4mm thick; in red, white and black; weighs 14g



**Changzhou DNWK**  
(profile page 50)  
**Model:** CAC06003  
**Minimum order:** 100,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 20 days  
**Indicated price:** \$31.00 per 1,000 pieces  
**Description:** Clay composite; two-color; 40mm diameter; 4mm thick; in blue, red, green, white, black; weighs 14g



**Changzhou Guohua**  
(profile page 50)  
**Model:** 4D  
**Minimum order:** 500,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 30 days  
**Indicated price:** •  
**Description:** ABS; two-color; 52mm diameter; in green/white combination



**Changzhou Guohua**  
(profile page 50)  
**Model:** 5D  
**Minimum order:** 500,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 30 days  
**Indicated price:** \$0.03  
**Description:** ABS; four-color; 52mm diameter; in green/white/black/red combination

• Information not disclosed

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