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China Internet

China Online Gaming Industry Journal (Jun 2026 Edition)

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CITI'S TAKE

Our Jun 2026 China Online Gaming Industry Journal's notable highlights include: 1) CNG May 2026 industry data; 2) Century Games' pipeline update; 3) reported potential sale of Alibaba's game unit. As the online gaming sector heads to 2Q26 preview period with more preliminary results likely released in Jul, we think A-share gaming peers in general could deliver resilient revs/earnings growth in 1H26 on healthy online entertainment consumption that could attract some rotation from the relatively crowded global AI hardware sector. While the current valuation measured by 1-year forward PE remains attractive vs. the sector's 3-/5-year average (Figure 1), we believe relative strength vs. global peers, higher earnings growth visibility, and more disruptive AI narratives are necessary for the sector's long-term re-rating thesis. **Our pecking order ahead of 2Q results:** Century Huatong > Giant > Kingnet > 37 > G-Bits > Perfect World > XD > Kingsoft.

CNG May 2026 industry data read-through — On Jun 16, CNG released its China online gaming industry report for May 2026, which suggested a domestic online gaming market size of Rmb30.9bn in May, +10.1/+1.7% yoy/mom driven by anniversary and Labor Day holiday updates for evergreen titles. The China mobile game market size reached Rmb22.7bn, +7/+1% yoy/mom driven by *DnF Mobile* (Tencent) and *Arknights* (Hypergryph), while the PC game market was to Rmb7.1bn, +21.7/+3.1% yoy/mom, driven by *Delta Force* (Tencent) and *Neverness to Everness/NTE* (Perfect World). In May, overseas revenues from Chinese-developed games +29.3/+0.3% yoy/mom to US$2.04bn, driven by *NTE* (Perfect World), *Kingshot* and *Tasty Travel* (Century Games), and *Gossip Harbor* (Microfun).

Century Games' pipeline update — As reported by Tencent News dated Jul 6 (link), Century Games is currently testing three potential SLG titles, including *Top General* (SLG + idle RPG gameplay which we see a higher potential as the next hit), *Desire City* (prison simulation), and *Wave Warrior* (*Last War*-like SLG) in addition to another SLG under testing called *Lordrush*. As reported by Tencent News dated Jun 15 (link), Century Games is also accelerating its testing in new casual games including *Seaside Tycoon* (*Coin Master*-like casual game) and 4 merge-2 games *Hotel Legacy*, *Just Desserts*, *Family Farm Merge*, and *Family Tales* with different gameplay design.

Reported sale of Alibaba's game unit — As reported by Sina Finance dated Jun 24 (link), Alibaba is reportedly selling its game unit, with five potential buyers including 37, China Ruyi, Century Huatong, Giant, and a PE syndicate, for a possible consideration of Rmb7–9bn (US$1–1.3bn). According to the article, Ali's game unit has 1,200 employees from five major development studios and two operating teams, with major titles including *Three Kingdoms Tactics*. As of the date of the report, Alibaba had not officially responded. **Citi's view:** Given no official announcement or response from both the reported seller and potential buyers, it is possible the reported potential sale could be at a preliminary stage as the article suggested. For listed A-share game companies like Century Huatong, Giant, and 37, key considerations for such a deal may include goodwill recognition, source of funding, regulatory disclosure and approval, potential synergies, and integration costs.



See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliation

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Foreign Institutional Investors.

China online gaming 2Q26 preview reports

XD (2400.HK): Stable 2026 Outlook With Bigger Catalysts in 2027E; TP Adj. to HK$70

Giant Network (002558.SZ): Preliminary 1H26 Profit Slightly Beating Ours/Street; Reiterate Buy

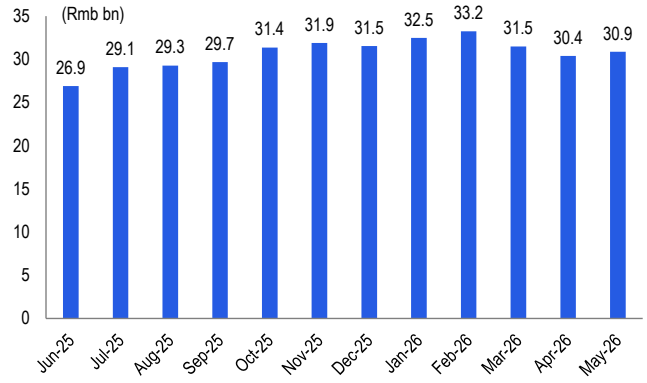
Figure 1. Current vs. historical valuation for A-share gaming companies and XD

	Century Huatong	Kingnet	37 Interactive	Giant Network	Perfect World	G-Bits	XD
Current forward PE (x)	10.37	11.79	11.19	12.41	10.85	12.98	12.29
3-year avg forward PE (x)	15.97	15.76	13.70	15.65	25.32	14.42	11.89
vs. historical	*-0.5 SD*	*-1.3 SD*	*-0.8 SD*	*-0.9 SD*	*na*	*-0.2 SD*	*+0.1 SD*
5-year avg forward PE (x)	26.87	14.39	15.42	17.92	29.42	17.31	14.94
vs. historical	*na*	*-0.7 SD*	*-1.1 SD*	*-1.1 SD*	*na*	*-0.6 SD*	*na*

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Source: Company Reports, dataCentral, Citi Research, Note: Data as of Jul 9, 2026, close

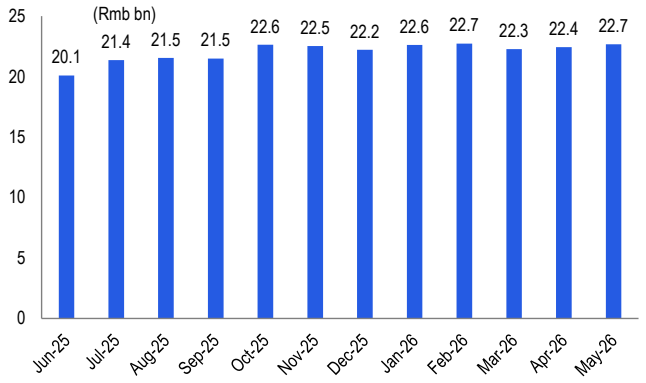
Figure 2. China online gaming market size



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Source: CNG, Citi Research

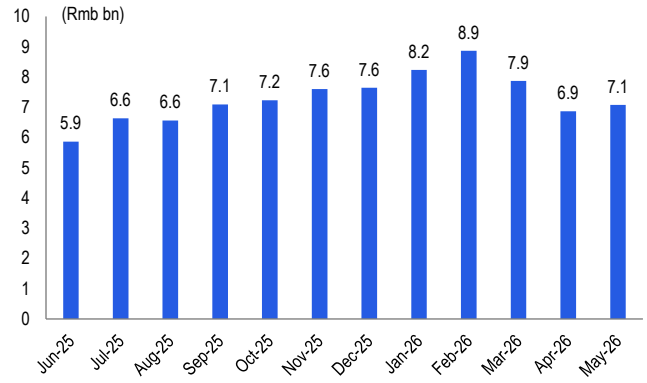
Figure 3. China mobile gaming market size



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Source: CNG, Citi Research

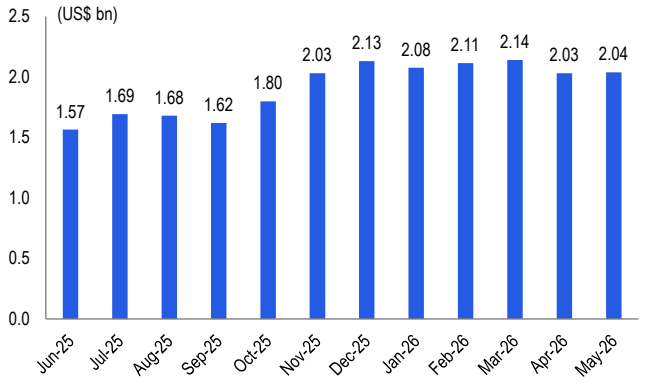
Figure 4. China PC gaming market size



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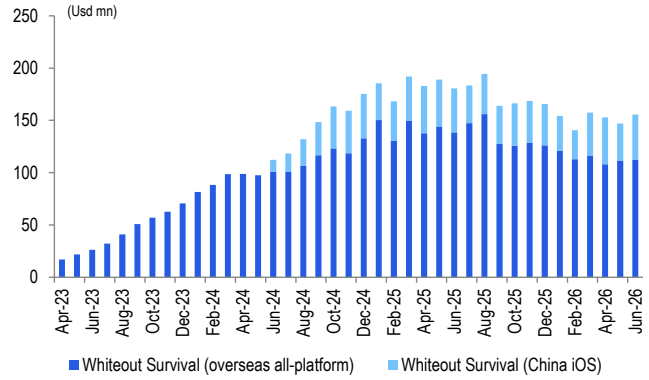
Figure 5. Overseas revenues from Chinese-developed games



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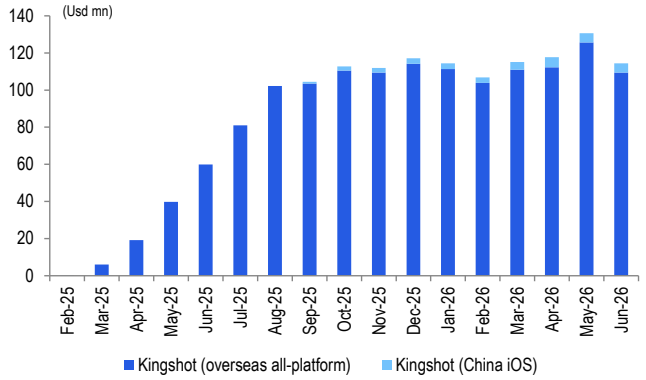
Source: CNG, Citi Research

Figure 6. Whiteout Survival (Century Huatong) – All-platform overseas and iOS domestic mobile grossing



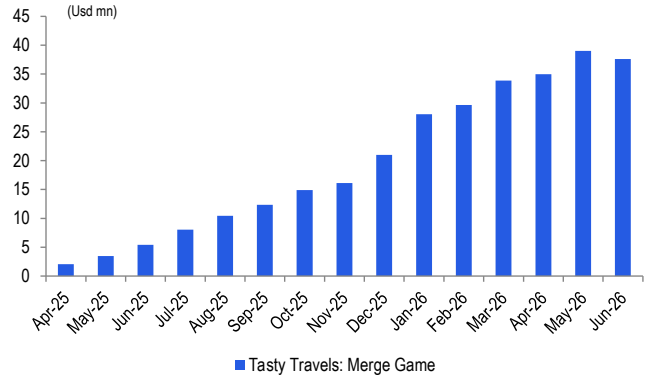
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Source: SensorTower, Citi Research

Figure 7. Kingshot (Century Huatong) – All-platform overseas and iOS domestic mobile grossing



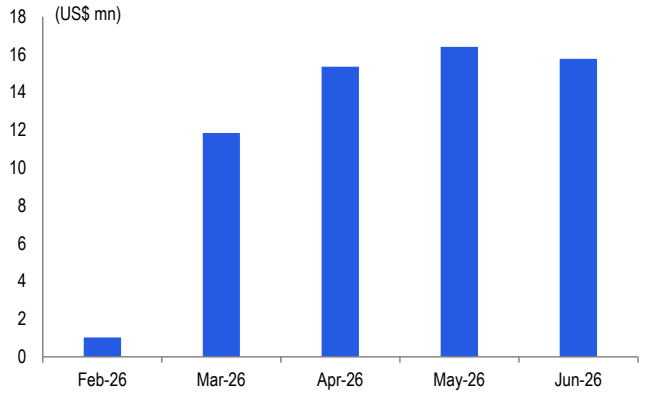
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Source: SensorTower, Citi Research

Figure 8. Tasty Travel (Century Huatong) – All-platform overseas mobile grossing



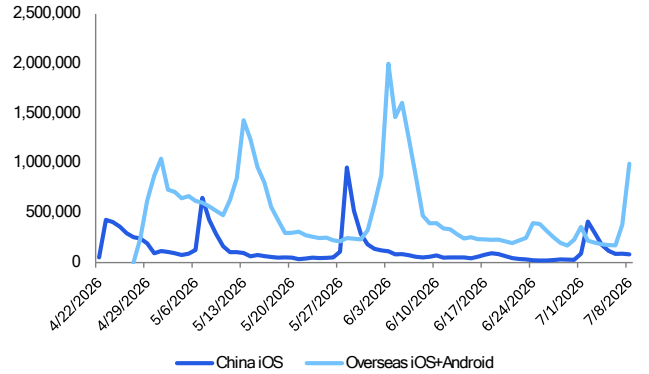
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Source: SensorTower, Citi Research

Figure 9. Last Asylum: Plague (37) – All-platform overseas mobile grossing



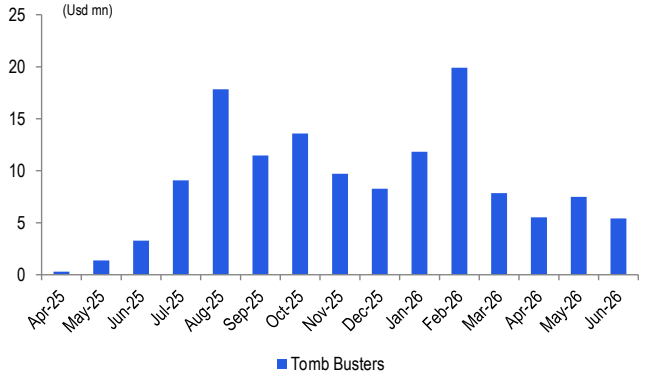
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Source: SensorTower, Citi Research

Figure 10. Neverness to Everness (Perfect World) – All-platform overseas and iOS domestic mobile grossing (US$)



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Source: SensorTower, Citi Research

Figure 11. Tomb Busters (Giant Network) – iOS domestic mobile grossing



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Source: SensorTower, Citi Research

Figure 12. Top-30 mobile games published by Chinese studios by overseas grossing in Jun 2026

Ranking	Title	Change in ranking	Major publishers	Estimated monthly grossing (US$ mn, per SensorTower)
1	Gossip Harbor	-	Microfun	131
2	Whiteout Survival	+1	Century Games	112
3	Kingshot	-1	Century Games	109
4	PUBG Mobile	-	Tencent	37
5	Call of Duty Mobile	+1	Tencent	40
6	Tasty Travels: Merge Game	-1	Century Games	38
7	Wuthering Waves	+1	Kuro Game	33
8	Honkai: Star Rail	-1	miHoYo	23
9	Puzzles & Survival	+4	37 Interactive	23
10	Genshin Impact	-1	miHoYo	22
11	Seaside Escape	+1	Microfun	20
12	Merge Cooking	-2	Happibits Game	20
13	Flambé	+1	Microfun	19
14	Sword x Staff	-	G-Bits	19
15	Love and Deepspace	-5	Nikki	17
16	Last Asylum: Plague	+2	37 Interactive	16
17	Neverness to Everness	-1	Perfect World	15
18	Mystery Town	+2	Oakever Games	14
19	Mobile Legends: Bang Bang	-4	Moonton	14
20	Age of Origins	-1	Camel Games	13
21	Top Heroes	-4	Topwar Studio	13
22	Rise of Kingdoms	-1	Lilith	11
23	Project Makeover	+1	Magic Tavern	10
24	Heartopia	-2	XD	9
25	Top Tycoon	-	BeheFun	9
26	Clash of Critters	-	Lilith	9
27	Zenless Zone Zero	+1	miHoYo	8
28	Mahjong Soul	-	Yostar	8
29	Knives Out	-6	NetEase	8
30	Lands of Jail	-	IYA Games	8

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Source: SensorTower, Citi Research

Companies Mentioned:

37 Interactive Entertainment (002555.SZ; Rmb18.72; 1; 09 Jul 26; 15:00) | Century Huatong (002602.SZ; Rmb13.89; 1; 09 Jul 26; 15:00) | G-Bits (603444.SS; Rmb354.01; 1; 09 Jul 26; 15:00) | Giant Network (002558.SZ; Rmb28.32; 1; 09 Jul 26; 15:00) | Kingnet (002517.SZ; Rmb16.35; 1; 09 Jul 26; 15:00) | Kingsoft (3888.HK; HK$23.98; 1; 09 Jul 26; 16:10) | Perfect World (002624.SZ; Rmb11.03; 1; 09 Jul 26; 15:00) | XD (2400.HK; HK$45.0; 1H; 09 Jul 26; 16:10)