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China Internet

ChinaJoy 2026 Takeaways: Level Up With AI

CITI'S TAKE

On Jul 31, we participated in ChinaJoy 2026 in Shanghai held between Jul 31-Aug 3. With a theme of “Level Up With AI”, ChinaJoy 2026 covers a greater exhibition area, larger amount of exhibitors and higher foreign studio participation vs. 2025, which we view may potentially attract more audiences and traffic this year. Comparing to still-cautious investor sentiment in the internet and gaming sector, we observed ChinaJoy 2026 may likely wrap up better-than-market expectation given more mature AI gaming adoption (showcased by Tencent, Century Huatong, Kingnet, 37), updates on new releases by key studios, more indie studios coming up with their AAA titles and extended online gaming industry chain towards multiple digital entertainment fields to justify a healthy online gaming industry development with resilient and sustainable earnings. We reiterate Buy on market leaders Tencent as potential AI gaming transformation, NetEase as defensive play and Century Huatong as A-share preferred pick.

Alicia Yap, CFA^{AC}

Nelson Cheung

ChinaJoy 2026 details — ChinaJoy 2026 covers an exhibition area of 140,000sqm (+4% yoy) with over 900 exhibitors (+13% yoy) from 39 countries/regions including US, Canada, UK, Germany and Korea. In BTOC Interactive Entertainment Halls, exhibition areas increased by 9% yoy driving exhibitors increasing by 12% yoy. In BTOB Business Halls, exhibitors also increased by 3% yoy with overseas (and foreign funded) companies accounting for 46.6% BTOB exhibitor mix from 43% last year.

CNG 1H26 industry report read-through — Domestic online gaming market in China reached a size of Rmb188.45bn, +12.17% yoy, of which mobile gaming market remains at dominant mix at 71.75% or Rmb135.21bn, +7.9% yoy, while PC gaming market saw faster growth at +27.92% to Rmb45.288bn in 1H26 driven by cross-platform games. China mini game market continued its robust growth by +36.01% yoy to Rmb31.657bn, of which in-game purchase grew faster vs. ads. Mobile casual game market +10.74% yoy while mobile ACG -8.97% yoy. In 1H26, overseas revenues from Chinese-developed games grew strongly by 30.22% yoy to US\$12.372bn, with US, Japan, Korea as top markets and strategy and merge games as top genres.

Tencent showcasing AI product families — Tencent brought 15 products in its main exhibition, including 3 in AI gaming (*Digital Jingdezhen*, *Meowntain*, *Wish I Could Fly*), 4 in AI products (Code: Craft, Lap AI, MagicDawn, MagicLomix) and 8 for gaming IPs, a strong emphasize in bringing latest AI products and games to consumers.

NetEase with Sea of Remnants updates — NetEase covers 6 major gaming IPs including *Naraka: Bladepoint*, *Sword of Justice*, *Tianxia IP*, *Where Winds Meet*, *Identity V* and *Sea of Remnants* with immersive activities. Upcoming updates of *Sea of Remnants* include IP collaboration with *SpongeBob* on Aug 6.

Key highlights by other companies — 1) **Century Huatong** announced official licensing of *AION 2* from NC, upcoming beta for *Aion: Classic* and latest AI partnerships; 2) **Giant** with content update for *Tomb Busters* and *Ming Jiang Sha*; 3) **Perfect World's** NTE v1.3 in mid-Aug and *Jade Dynasty: New Fantasy* release on Sep 3; 4) **Kingame (Kingsoft)** operated *Goose Goose Duck* with over 40mn registered users; 5) **Bilibili Game** with demos of *Three Kingdom: Hegemony* and *RO3*.

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

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Key Takeaways from ChinaJoy 2026

On Jul 31, we attended the 23rd China Digital Entertainment Expo & Conference (ChinaJoy 2026) held in Shanghai between Jul 31-Aug 3. With a theme of “Level Up With AI”, ChinaJoy 2026 covers a total exhibition area of more than 140,000sqm (vs. 135,000sqm last year) with over 900 exhibitors (275 foreign exhibitors) from 39 countries and regions including US, Canada, UK, Germany and Korea (vs. 799 last year).

In BTOC Interactive Entertainment Halls, it covers an exhibition area of close to 120,000sqm (vs. 110,000sqm last year) and attracted over 350 companies in BTOC exhibition area vs. 313 in 2025. **Major game companies participating in BTOC exhibition** include Tencent Games, NetEase Games, Blizzard Games, Century Huatong, Giant Network, Perfect World, Kingnet, Bilibili Game, Kingame (Kingsoft), Nuverse and other AAA and indie developers.

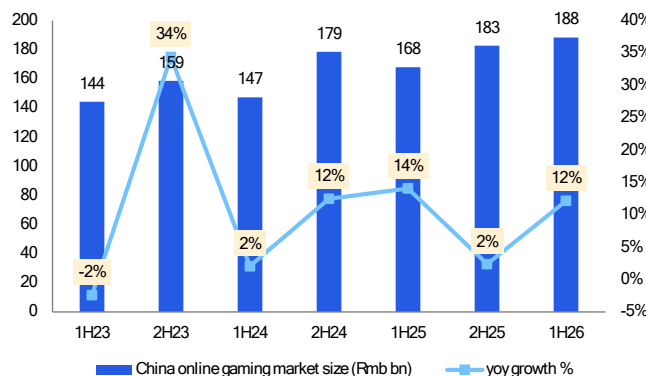
In BTOB Business Halls, it covers an exhibition area of 25,000sqm (unchanged vs. last year) with over 500 exhibitors (vs. 486 in 2025), of which overseas (and foreign funded) companies accounted for 46.6% of BTOB exhibitor mix from 43% last year.

China online gaming 1H26 industry report read-through

During China Digital Entertainment Congress (CDEC) held in conjunction with ChinaJoy dated Jul 30, China Audio-video and Digital Publishing Association (CADPA) and Gamma Data (CNG) jointly released China online gaming 1H26 industry report which summarized the China online gaming industry growth drivers with **5 trends**: 1) expanding industry size driven by domestic PC and overseas performance; 2) implementation of supportive policy by multiple regions in China; 3) full-penetration in AI technology across industry value chain to drive efficiency and innovative gameplay; 4) optimization of online gaming ecosystem; 5) healthy talent development and startup incubation.

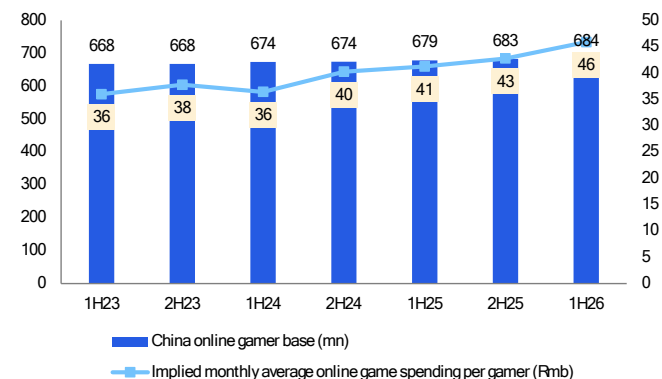
The industry report suggested that domestic online gaming market in China reached a size of Rmb188.45bn, +12.17% yoy driven by stable mobile gaming market and rapid development of cross-platform gaming market to drive faster PC growth. In 1H26, total gamer base in China reached 684.33mn, +0.82% yoy, implying monthly average ARPU at Rmb45.9, +11.3/+7.3% yoy/hoh.

Figure 1. China online gaming market size



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Source: CNG, Citi Research

Figure 2. China online gamer base and implied monthly ARPU

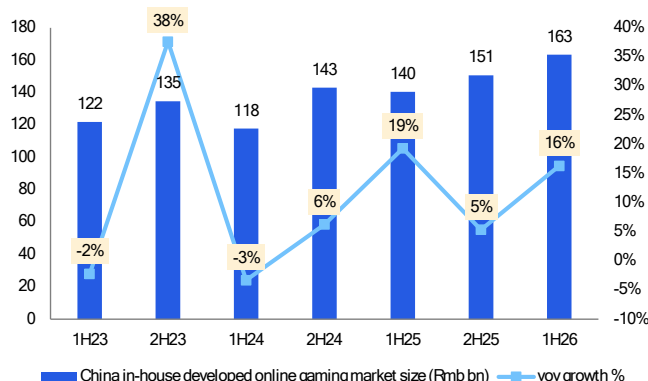


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Breakdown by self-developed vs. licensed:

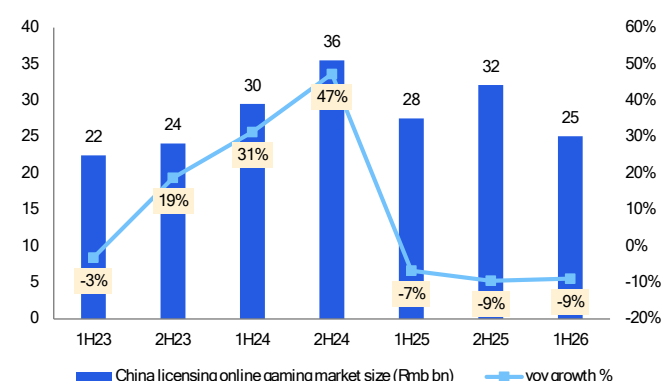
- In 1H26, China **in-house developed** online gaming market reached Rmb163.356bn, +16.31% yoy, representing 86.7% of total domestic market size, up from 83.6% in 1H25.
- This implied China licensing online gaming market at Rmb25.1bn in 1H26, -8.9% yoy, representing 13.3% of total domestic market size, comparing with 16.4% same period last year.

Figure 3. China in-house developed online gaming market size



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Source: CNG, Citi Research

Figure 4. China licensing online gaming market size

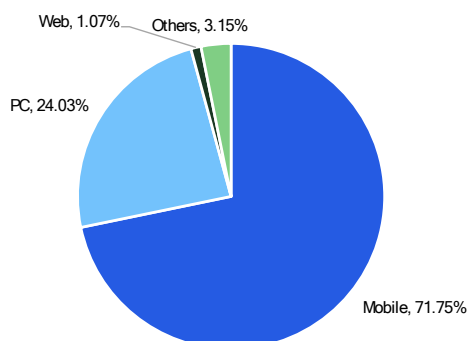


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Breakdown by game platforms:

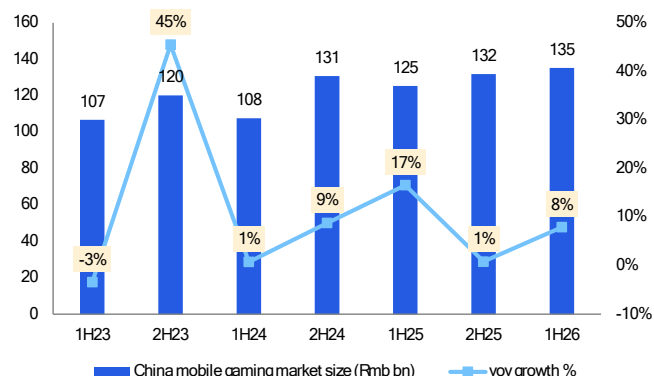
- In 1H26, China mobile gaming revenues maintained its dominant position at 71.75% share, which is followed by PC game revenues at 24.03% and web games at 1.07%.
- In 1H26, **China mobile gaming market** reached Rmb135.21bn, +7.9% yoy, driven by stable performance of evergreen titles and new game contributions. Within top 100 mobile games in China by grossing, RPG and strategy games represents the largest genres with 22%/11% share by volume, which is followed by chess and card games. By grossing of top 100 mobile games in China in 1H26, shooting games saw greater yoy growth and has become the top genre at 26.23% revenue mix which we view largely driven by Tencent's shooting game performances including *Delta Force*, *Valorant Mobile* and *Ni Zhan*. MOBA games now became the second largest genre at 18.96% share vs. its #1 position last year. RPG (including ARPG, MMORPG, turn-based RPG) came as third place at 14.35%.
- **China PC game market** reached Rmb45.288bn in 1H26, growing strongly by +27.92% yoy driven by cross-platform games and steady performance of evergreen PC game titles.
- China web game market continued its declining momentum which -8.47% yoy to Rmb2.016bn in 1H26.
- China console game market down -7.06% yoy to Rmb961mn vs. high base of *Black Myth: Wukong* since 2024 without meaningful subsequent title contribution.

Figure 5. China online gaming market breakdown by platform in 1H26



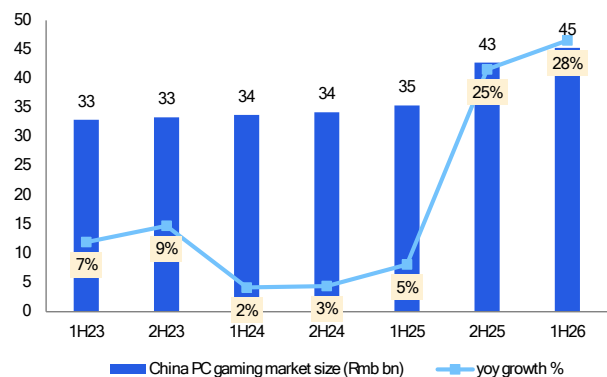
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Figure 6. China mobile gaming market size



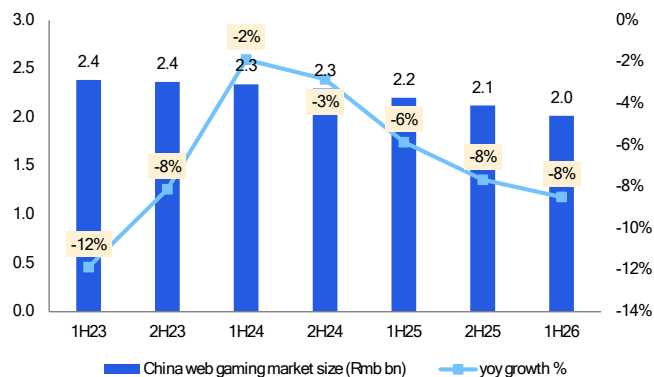
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Figure 7. China PC gaming market size



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Figure 8. China web gaming market size

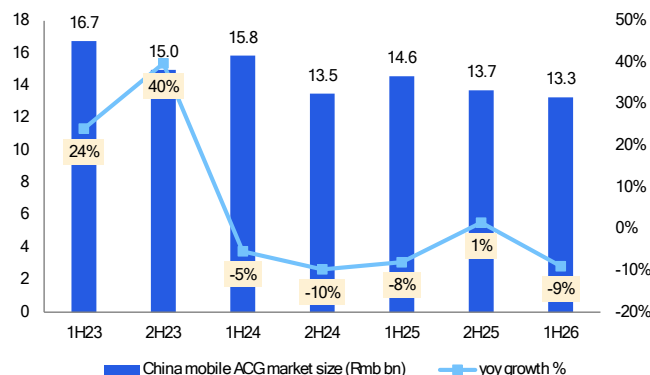


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Breakdown by game genres:

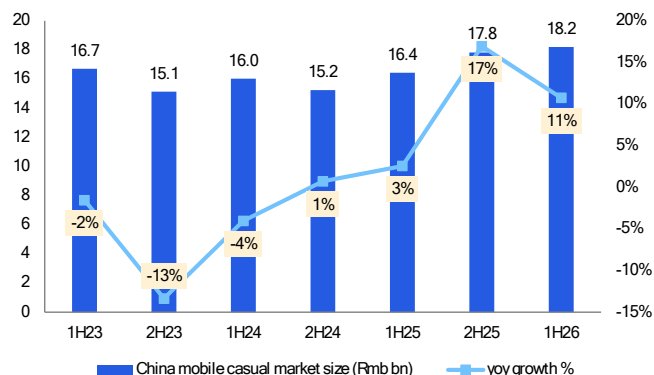
- In 1H26, **China mobile ACG market** declined by -8.97% yoy to Rmb13.269bn driven by declining grossing of top ACG products with lack of meaningful new product contribution.
- **China mobile casual game market** grew by 10.74% yoy to Rmb18.205bn in 1H26, of which revenues from in-game purchase reached Rmb12.203bn or 67% of total revenues, while advertising revenues reached Rmb6.002bn, or 33% mix.
- **China mini game market** continued to maintain robust growth by +36.01% yoy to Rmb31.657bn, of which in-game purchase grew faster at 38.12% yoy to Rmb21.137bn or 66.8% of mini game revenues, while advertising monetization +31.94 yoy to Rmb10.52bn or 33.2% mini game revenue mix.
- In 1H26, **China eSports gaming** market size reached Rmb89.616bn, +11.12% yoy, driven by evergreen and new eSports products.

Figure 9. China mobile ACG market size



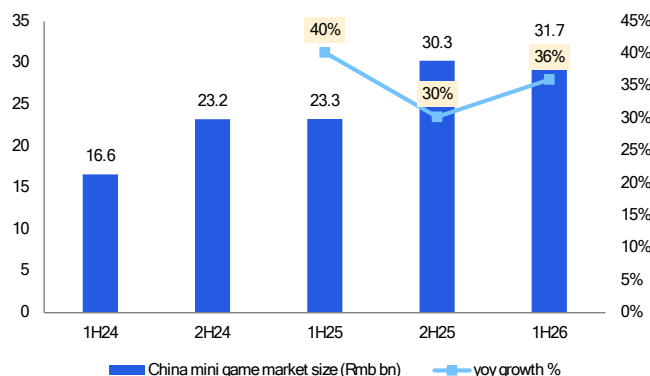
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Figure 10. China mobile casual market size



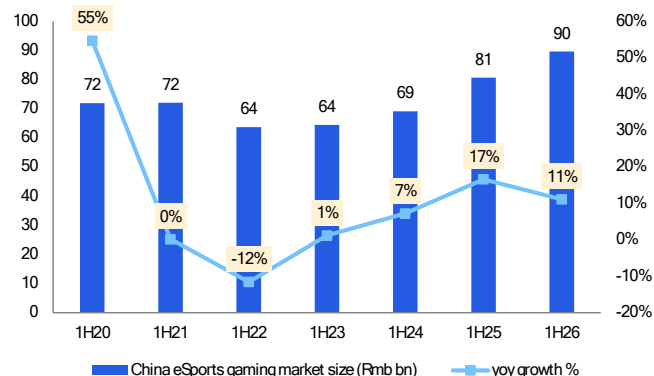
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Figure 11. China mini game market size



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Figure 12. China eSports gaming market size

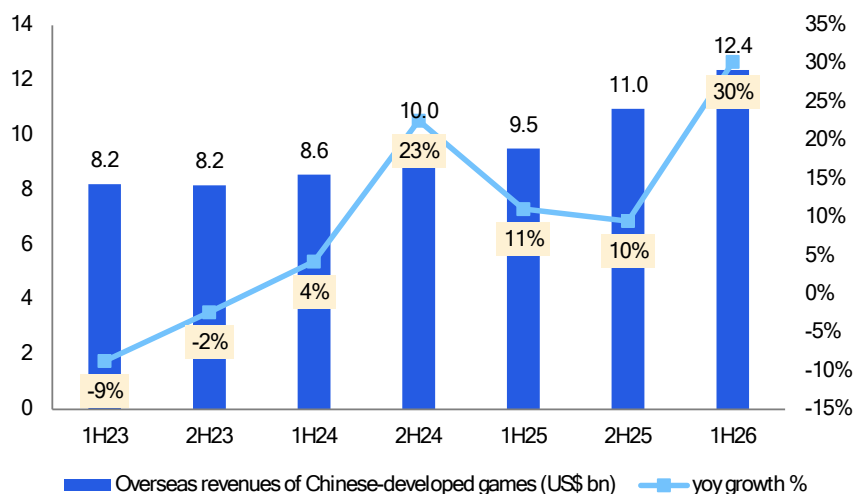


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Strong growth in overseas revenues:

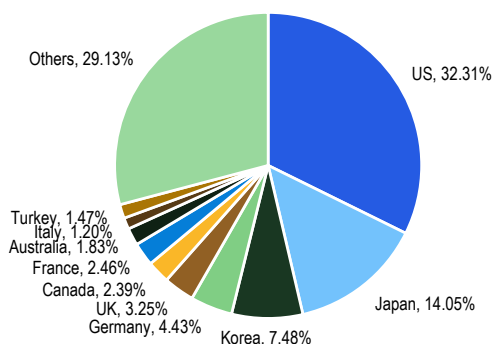
- In 1H26, overseas revenues from Chinese-developed games grew strongly by 30.22% yoy to US\$12.372bn, driven by healthy performance of evergreen titles and new game contributions.
- By countries or regions, **US, Japan and Korea** remain as top 3 markets by overseas revenues of Chinese-developed games accounting for 32.31%, 14.05%, 7.48% mix in 1H26. Adding together, these 3 markets represent over half or 53.84% of overseas revenues by Chinese games. CNG also noted an increasing share in European market with revenue share in Germany, UK and France reached 10.14% in aggregate in 1H26.
- By game genres, within top 100 self-developed games by overseas revenues, **strategy games** represented the largest category with a share of 46.91% at slight yoy growth. This is followed by **merge games** at 16.22% (19.66% together with puzzle games) which +9.74% yoy as one of the fastest and sizeable genres in 1H26. RPG and shooting maintained their third and fourth position at 9.62%/8.31% share respectively, stable yoy.

Figure 13. Overseas revenues of Chinese-developed games



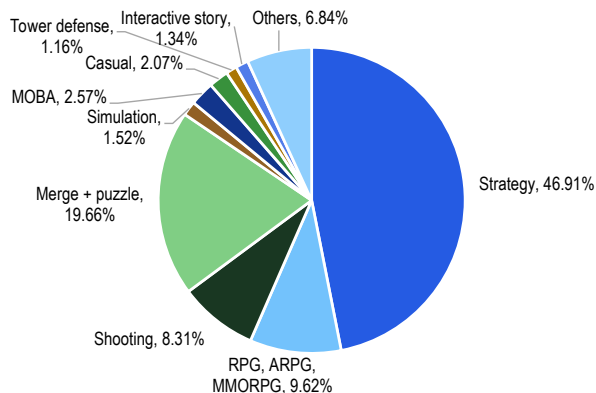
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Figure 14. Overseas revenues of Chinese-developed games by countries or regions in 1H26



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Figure 15. Overseas revenues of top 100 Chinese-developed games by genres in 1H26



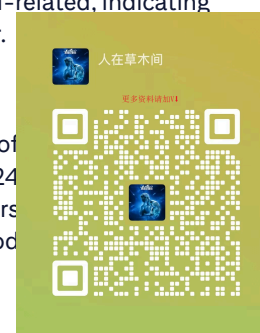
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Tencent Games: Showcase of AI product families

With a theme of “冲一波新浪潮” or A Wave of New Phenomenon, this year Tencent Games carried a total of 15 products in its main exhibition area, split among 3 major regions including **AI gaming**, **AI products and gaming IP**. With its open setup, we observed a significant waiting time reduction at each area despite a huge amount of traffic. 7 out of 15 products are either AI-native or AI-related, indicating Tencent's strong emphasis in AI gaming and products this year.

3 products from AI gaming:

- **Digital Jingdezhen (“数字景德镇”):** Digital Jingdezhen is an of heritage mini game by partnering with Jingdezhen since 2024 generation of porcelain, AI NPC supporting 20-round convers multi-modal AI database, LLM and text-to-speech large mod tools for 3D construction generation.



- **Meowntain (“猫仙札”):** Meowntain is Tencent’s first AI female-oriented narrative RPG which will deeply integrate AI agents and combines multiple casual gameplay to offer gamers with highly personalized content experience.
- **Wish I Could Fly (“人是不能飞的”):** Wish I Could Fly is a narrative platform adventure game developed by a single developer who leverages AI-assisted coding to develop the title.

4 self-developed AI products:

- **Code: Craft (“代号：Craft”):** Code: Craft is an AI gaming creation platform targeting all game developers featuring four core functions including AI intelligent game generation, AIGC art tool, prefabricated asset base and visualized parameter editing. Leveraging its AI capabilities, indie developers can generate game prototype without any professional background on coding and art design. Tencent also provides the demo for Code: Craft that enable audience to create their own games at ChinaJoy. Code: Craft has recently wrapped up its offline testing in Qianhai on Jul 31 and we expect next testing will come soon.
- **Lap AI (“Lap 拉普”):** Lap AI is an AI-driven gaming asset industrialization tool developed by Lightspeed Studios combining AI creation, workflow collaboration, asset management and authentication functions. Lap AI supports all-categories AI applications and customized workflows to cover 2D, 3D and video scenarios. With AI handling the repeated tasks, this helps developers to concentrate on creativity and game quality at measurable AI consumption and cost tracking.
- **MagicDawn:** MagicDawn is a frontier audio rendering solution by neural dynamic global illumination game engine technology which leverages AI and cloud computing capabilities to build immersive audio experience in-game.
- **MagicLomix:** MagicLomix is a creation platform targeting high quality 3D games developers. Leveraging an AI-native game engine, MagicLomix supports complicated gameplay, high quality art visualization and continued optimization to lower creation barrier for 3D games. MagicLomix covers planning, art design, development and verification process. During the exhibition, Tencent provides demos to showcase how developers create 3D games from 2 days to weeks.

8 products for gaming IP exhibition:

- In its main exhibition, Tencent showcased **8 gaming IP** including 6 published games *HoK*, *Delta Force*, *Ni Zhan: Future*, *Arena Breakout*, *Roco Kingdom*, *DnF* IP and 2 games in the pipeline *Animula Nook* and *Rainbow Six Siege*.
- In other booths such as HarmonyOS and Snapdragon, demos from other Tencent’s games can be found including *Peacekeeper Elite*, *HoK*, *HoK: Chess* (experience server available on Jul 28 on PC and Android), *Valorant Mobile*, *Monster Hunter Outlanders* (a new title based on Capcom’s *Monster Hunter* IP).

Figure 16. Code: Craft demo area



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Source: ChinaJoy official account, Citi Research

Figure 17. Meowntain demo



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NetEase Games: Sea of Remnants promotion

NetEase joined ChinaJoy 2026 with a theme of “热爱 100%加载” or 100% Passion in Gaming, covering **6 major gaming IP exhibitions** including *Naraka: Bladepoint*, *Sword of Justice*, *Tianxia IP*, *Where Winds Meet*, *Identity V* and *Sea of Remnants* with immersive experience such as fans interactions, gifting and lucky draws. Other notable titles with demo sessions include *FWJ*, *Eggy Party*, *Conqueror's Blade: Three Kingdoms*, *Lost Light*, *Diablo Immortal*, *Once Human*, *Pro Evolution Soccer Online*, *Infinite Borders*, *A Dream of Jiang Hu* and *World of Warships Blitz*.

On Jul 24, the developer team of *Sea of Remnants* has published a **letter to gamer** which acknowledged the issues, especially complex content system, repeated daily tasks and compatibility issue on mobile devices. The team highlighted that *Sea of Remnants* will maintain sustainable operations with rich content update, including chapter 2 of main story on Jul 30, IP collaboration with *SpongeBob SquarePants* on Aug 6 and subsequent themed updates on Aug 17, 20, 27. The title will continue to optimize its in-game experience by stagewise improvement and the developer team will continue to proactively listen to gamer feedback.

Next to the exhibition area of NetEase Games, there is an exhibition area with **Blizzard Games** which showcases 5 major IPs including *StarCraft*, *Hearthstone*, *Diablo IP*, *Overwatch* and *World of Warcraft (WoW)*.

Figure 18. Sea of Remnants exhibition area



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Figure 19. NetEase Games' interactive area with Sea of Remnants promotion



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Century Huatong: AION 2 and AI partnerships

Century Huatong joined ChinaJoy 2026 with a theme of “无限在线” or Play Beyond, which covers exhibition areas by its 3 major studios including Century Games, Shengqu Games and Tianyou covering SLG, MMORPG and sports games.

Century Games

- Century Games showcased domestic *Whiteout Survival* (3rd participation in ChinaJoy) and *Kingshot* (first presence at ChinaJoy) in its exhibition area with different interactions and performances targeting different user groups by each game. On Aug 2, domestic *Kingshot* also announced an IP collaboration with WOS between Aug 2-10 to further attract gamer traction.

Shengqu Games

- The exhibition area of Shengqu Games mainly showcases its upcoming release of **AION 2** with offline demos. On Jul 30, Shengqu Games officially announced to officially license and operate *AION 2* from NC Corp in mainland China. This represents an extended partnership after 17 years of collaboration between both parties since entry of *AION* in China market in 2009 which is also licensed and operated by Shengqu (originally known as Shanda) and has attracted over 100mn registered gamers. *AION 2* aims to provide superior experience for long-term gamers and potentially attract new-generation MMORPG gamers featuring its Unreal Engine 5 development, a borderless game map which is 36x larger than *AION* and integration of MMORPG and action gameplay.
- In Nov 2025, Shengqu and NC also collaborated to jointly develop **AION: Classic** mobile game to facilitate mobile adaptation of *AION* IP with new demo available at ChinaJoy 2026. The title has also opened to recruit gamers to next beta and pre-registrations.
- Going forward, Shengqu Games will continue to strengthen its MMORPG product portfolio and accelerate cross-platform adaptation of legacy IPs such as *Chuanqi* and *Dragon Nest* to reactivate dormant gamers and attract new gamers.

AI partnerships and investments

- Century Huatong continued to demonstrate its commitment in AI revolution. For example, its theme song Play Beyond leverages AI in composing, arrangement, singing and MV production.
- In **AI+Lab innovative exhibition**, Century Huatong also shortlisted its panelists from Digiloong GAIC contest covering AIGC creation, AI gaming, AI testing platform. Invited companies and partnering businesses with Century Huatong include Nexquence AI (AI creation and publishing platform for interactive cinematic games and visual novels), Sengine AI (spatial AI generation systems), Meowa AI (AI game art studio), SeaArt AI (AI creativity community for art, video, chat & tools) and two internally incubated companies or business units including G-Test (a subsidiary for game quality management, AI automatic beta testing and emotional analysis) and Art Center (Shengqu's middle office).

Figure 20. Century Games exhibition area



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Source: Citi Research

Figure 21. Shengqu Games exhibition area with AION 2



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Giant Network: Tomb Busters & Ming Jiang Sha

This year Giant Network's exhibition area is led by **Tomb Busters** with a design of Nuoxi-theme (Chinese traditional opera) performance stage. We observed a meaningful portion of young female gamers aged below 30 participating in the interaction and other activities of **Tomb Busters** and a larger booth for its merchandise sales, indicating a strong appeal of **Tomb Busters** for this particular gamer group. With its successful summer content update, **Tomb Busters** was ranked #6 by iOS grossing on Jul 11 and ranked within top 10 in 4 days between Jul 10-13, per data.ai tracking.

Inside the exhibition area, Giant Network also showcased **Ming Jiang Sha**, a card game with soft launch on Dec 19, 2025. With rapid new content update since its soft launch, **Ming Jiang Sha** currently consists of ~170 characters and will further enrich its gameplay with new game modes likely coming next month. With continued optimization in game features and contest experience, we believe it would still take some time for large-scale commercialization of **Ming Jian Sha** despite a rich content so far. Other games title showcased in ChinaJoy 2026 include **Zhengtu**, **Battle of Balls**, **Super Sus** and **Night of Full Moon**.

Figure 22. Tomb Busters merchandise sales



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Figure 23. Ming Jiang Sha gameplay



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Perfect World: NTE v1.3 and new game in Sep

Perfect World mainly brings its products in eSports, ACG and MMORPG to ChinaJoy 2026 with a theme of “玩心 Fun 大” or Great Entertainment. For eSports, major titles include *Dota 2* and *CS: Go*. For ACG titles, Perfect World featured *Neverness to Everness (NTE)* and JRPG *Persona 5: The Phantom X (P5X)*. For MMORPG titles, Perfect World showcased *Zhuxian* IP including *Zhuxian Mobile*, *Meng Huan Xin Zhu Xian Mobile* and *Jade Dynasty: New Fantasy*.

With fan interaction activities in ChinaJoy 2026, *NTE* will soon commence a live-streaming session for **v1.3 preview** on Aug 8 730PM and we expect v1.3 update may officially come in mid-Aug referencing 42-day content update frequency and live-streaming preview timing.

Jade Dynasty: New Fantasy is new turn-based mobile game based on *Zhuxian* IP, featuring 30-min MMO turn-based experience, level caps, simplified pet systems, free trade systems, seasonal updates and other optimization features with live demo at ChinaJoy. On Aug 1, Perfect World announced that ***Jade Dynasty: New Fantasy* will officially release on Sep 3.**

Figure 24. Neverness to Everness fans interactions



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Figure 25. Jade Dynasty: New Fantasy promotion



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Kingnet: 996 Game Center & Three Kingdoms promotion

Kingnet split into **three exhibition areas**, including 996 Game Center, *Three Kingdoms* promotion and Soon AI game creation platform. 996 Game Center features a 5th anniversary carnival showcasing different weapons, armors and items. *Three Kingdoms* joined ChinaJoy for the first time following S3 seasonal update on Jul 22 with server integration benefits and new skins and other virtual items for specific characters. Soon AI continued to focus on AI gaming tiering system and content quality enhancement, with a new game demo delivering commercial level performance in terms of gameplay, animation and special effect. Lastly, Kingnet will also release *The Lost Tomb* on Aug 11.

Figure 26. 996 Game Center exhibition area



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Figure 27. Three Kingdoms exhibition area



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37 Interactive: AI-native capabilities and investments

37 Interactive only participates in BTOB Business Halls at ChinaJoy this year, highlighting its strategy for **quality, diversified and globalized product portfolio** covering MMORPG, idle RPG, ancient simulation, casual genres. Major game titles showcased include MMORPG *Battle Through the Heavens* IP, *Soul Land: Inheritance*, ancient simulation *Zhui Xu* and casual titles such as *Claws & Chaos* and *Dream Forest*. For overseas game titles, 37 showcased *Ragnarok: The New World* which was released on HK, Macau, Taiwan on Jan 15.

37 also showcased its **AI capabilities** leveraging gaming vertical large model Xiaoqi (“小七”) for establishing AI capabilities for development, publishing, operations and brand risk management. 37 also constructs Xiaoqi agent platform to integrate with over 240 models and AI tools to develop over 600 agents. 37 shared at ChinaJoy that AI resources has contributed over 80% production with 78% AI coding penetration in its game development process. For publishing, AI has participated in over 70% of video ads and over 50% of automated ad placements. 37 has conducted AI localized translation covering 18 foreign languages, while accuracy of intelligent customer services has exceeded 80%.

37 also rolled out 4 proprietary AI tools and open for demo at ChinaJoy, including AI mini game generation platform, AI motion & animation, AI video creation platform and AI brand risk management platform. 37 also highlighted their ambition to facilitate the digital entertainment industry from AI application-driven to AI native-driven and has **invested over Rmb4bn** in large model, brain-computer interface, chips, AR hardware and embodied AI on top of internal AI technology adoption.

Kingame (Kingsoft): Strategic upgrade for IP collaboration

Reported by Sina Finance dated Aug 2 ([link](#)), Kingame was previously the internal publishing middle-office of Kingsoft gaming business, which has later upgraded its strategy in 2023 to focus on **IP collaboration and content operations** with the strategy being announced at ChinaJoy in 2024.

By now, Kingame operates and develops core IPs including *Goose Goose Duck*, *Angry Bird* and *Cats & Soup*, with several other key IPs under long-term development. Specifically, *Goose Goose Duck* has accumulated **over 40mn registered users** within 6 months, with DAU stabilizing between 2-3mn. Following peak DAU level at 3mn during Chinese New Year holiday, Kingame noted a gradual DAU recovery with its summer update towards CNY DAU level.

Comparing to a pure licensing model, Kingame operates a complete system for self-development and operations to support in-depth localization and content optimization based on instant market feedback. For *Goose Goose Duck*, Kingame also successfully leverages its strong social attribute and IP collaboration to strengthen positioning as teenagers' social platform and extended IP values through merchandise sales, variety shows and offline stores. *Goose Goose Duck* will focus on expanding user base by consolidating core gameplay and potentially explore new side gameplays at prudent commercialization strategies.

For *Angry Birds*, Kingame will focus on its original casual gameplay with potential exploration in merge-3 or construction gameplay. At ChinaJoy, Kingame also showcased *Cats & Soup: Magic Recipe* as a merge dress-up title and official collaboration between ChinaJoy and JX3.

Bilibili Game

Bilibili Game mainly showcased its flagship titles *San Mou* and *NCard* at ChinaJoy 2026. In terms of new games, Bili showcased ***Three Kingdom: Hegemony***, a sandbox strategy title officially licensed from Koei Tecmo which has opened for pre-registrations. In addition, Bili also unveiled ***Ragnarok 3 (RO3)*** on Jul 21. With demo also available at ChinaJoy, the title will soon launch its first beta on Aug 27.

Baidu AI Cloud

Baidu AI Cloud also participated at ChinaJoy 2026. In 2025, Baidu AI Cloud claimed its leading position in China AI gaming cloud, with market share exceeding the sum of players ranking between #2-5. Currently major customers of Baidu AI Cloud include miHoYo, NetEase AI Lab, 37 Interactive, Lilith Games, 4399, Perfect World, Kingnet, Changyou. Baidu AI Cloud provides a full-chain solution for AI gaming covering AI infra, agent infra, service, solution and scenarios.

Stock implication

Tencent (700.HK; Buy; TP HK\$758)

Heading into 2Q26 result print, as noted in our [preview note](#), we currently forecast total online games +8.3% yoy to Rmb64.1bn with domestic/International games +8%/+9% yoy to Rmb43.6bn/Rmb20.5bn. While tracking data indicates a seasonal normalization in gaming grossing in 2Q, we expect reported revenues to be smoother than expected, supported by deferred revenue from previous quarters, stronger PC games performance that is not captured by mobile tracking data. Tencent currently has 109 mobile games in the pipeline, 64 of which have already been approved by NPPA, or 59% of the entire pipeline. Entering 3Q26E, Tencent has already released *Just Dance: Party* on Jul 2 and slated to release *Rust* on Jul 9 and *Control Resonant* by Sep 24. Tencent also commenced beta testing for key new games including *Monster Hunter Outlanders*, *Rainbow Six Siege* and *Animula Nook*. As demonstrated by crowded gamer fans surrounding its exhibition booth area at the ChinaJoy which showcased 15+ products, along with resilient and continued strength of key franchise titles and rich game portfolio, we continue to expect Tencent to deliver steady and resilient gaming revs and profit streams in the coming quarters/years. Maintain Buy and TP of HK\$758.

NetEase (NTES.US; Buy; TP US\$174)

In the upcoming 2Q26 print, we forecast online games to +6.4% yoy to Rmb24.3bn with total revs +6.1% yoy to Rmb29.6bn ([preview note](#)). While the highly anticipated new game *Sea of Remnants* launched in July seems to experience just moderate performance so far, with the chapter 2 released on July 30, upcoming IP collaboration with *SpongeBob SquarePants* on Aug 6 and subsequent themed updates on Aug 17, 20, 27, we believe the title will continue to optimize its in-game experience by stagewise improvement and the developer team will continue to proactively listen to gamer feedback. Similar to NetEase's other releases in the past couple years, while the initial traction for the newly released titles sometimes may not immediately perform up to market expectation, the revenues generation capability of the titles could show decent improving trend in the subsequent months after decent content update. Hence, we maintain a relatively optimistic view on the *Sea of Remnants* performance and expect management likely will comment positively on the game performance in the upcoming result call. Maintain Buy and TP of US\$174.

Century Huatong (002602.SZ; Buy; Rmb22.5)

With stock price rebounded by +9.4% in past week, we believe new catalysts for Century Huatong have yet to be fully priced in, including the official licensing of AION 2 in China by Shengqu Games provided strong performance in Korea and other overseas market ([link](#) to NC 1Q26 review note). With large-scale promotion potentially starting from Jul 20, Century Games' new SLG *Lordrush* seemed to gain early traction by daily download and grossing trend to which market may not fully give credit on top of steady *Whiteout Survival* and *Kingshot* with accelerating profit growth for both. We believe Century Games' industrialization capabilities may continue to drive long-term traction for its SLG and casual game portfolio. Maintain Buy as A-share gaming preferred pick with TP Rmb22.5.

■ **Our A-share gaming pecking order remains unchanged after ChinaJoy 2026:**

Century Huatong > Giant Network > Kingnet > 37 Interactive > G-Bits > Perfect World.

Companies Mentioned:

37 Interactive Entertainment (002555.SZ; Rmb19.99; 1; 03 Aug 26; 15:00) | Baidu.com (BIDU.O; US\$111.11; 1; 31 Jul 26; 16:00) | Bilibili (BILI.O; US\$19.1; 1; 31 Jul 26; 16:00) | Capcom (9697.T; ¥3888.0; 1; 03 Aug 26; 15:30) | Century Huatong (002602.SZ; Rmb13.82; 1; 03 Aug 26; 15:00) | G-Bits (603444.SS; Rmb385.01; 1; 03 Aug 26; 15:00) | Giant Network (002558.SZ; Rmb29.09; 1; 03 Aug 26; 15:00) | Kingnet (002517.SZ; Rmb18.0; 1; 03 Aug 26; 15:00) | Kingsoft (3888.HK; HK\$28.14; 1; 03 Aug 26; 16:10) | Koei Tecmo Holdings (3635.T; ¥1575.0; 3; 03 Aug 26; 15:30) | NC Corp (036570.KS; W232000.0; 1; 03 Aug 26; 15:45) | NetEase (NTES.O; US\$133.27; 1; 31 Jul 26; 16:00) | Perfect World (002624.SZ; Rmb11.29; 1; 03 Aug 26; 15:00) | Tencent Holdings (0700.HK; HK\$490.4; 1; 03 Aug 26; 16:10)