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China Internet

China Online Gaming Industry Journal (Sep 2026 Edition)

Nelson Cheung[AC]

Alicia Yap, CFA

CITI'S TAKE

Our Sep 2026 China Online Gaming Industry Journal's notable highlights include: 1) A-share gaming 3Q26 results preview; 2) CNG Aug 2026 industry data read-through; 3) read-through of Meta AI game creation tools for the China online gaming sector. With A-share gaming soon reporting 3Q26 print by mid-to-late Oct, market will likely focus on game performance during National Day period and pipeline expectation into 2027E. Given current market sentiment and evolvement on AI adoption in the gaming sector, we prefer relatively defensive names with higher dividend yields such as Giant Network, G-Bits and 37 ahead of 3Q26 results print.

A-share gaming 3Q26 results preview — Following 2Q26 print reported in Aug, A-share gaming sector will soon report 3Q26 results during mid-to-late Oct. With a relatively shorter window, we expect the sector to likely report an inline results considering a reasonable summer performance. Market likely focuses on additional colors for 1) gamer spending pattern and individual game performance during National Day patch update as 4Q26 results determinants; 2) new game pipeline for 2027E and pace of new releases; 3) incremental spending for new traffic acquisition titles especially Century Huatong and 37; 4) AI adoption and key innovations for the sector as re-rating factors; 5) updated shareholder return policies.

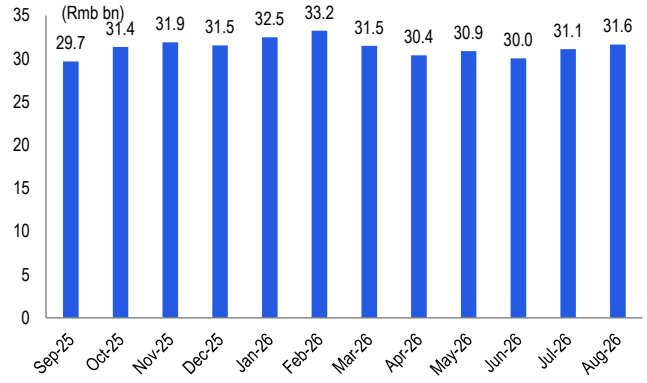
CNG Aug 2026 industry data read-through — On Sep 18, CNG released Aug 2026 China gaming industry monthly report estimating China domestic gaming market reaching a size of Rmb31.6bn, +8.08/+1.7% yoy/mom driven by user return incentives and commercialization patches for mobile games with PC contributed by cross-platform and evergreen titles. In Aug, mobile game market grew +8.6/+1.39% yoy/mom to Rmb23.4bn led by top titles *Peacekeeper Elite*, *Delta Force*, *Valorant Mobile* by Tencent, while PC game grew +2.13/-2.34% yoy/mom to Rmb6.70bn driven by yoy/mom growth for *Delta Force* (Tencent) and new game contribution especially *Lord of Mysteries* (Kuaishou) released on Aug 21. In Aug, overseas revenues from Chinese-developed games +20.87/+0.88% yoy/mom to US$2.03bn, with yoy growth driven by high-frequency content updates for *Gossip Harbor* (MicroFun), *Whiteout Survival* and *Kingshot* (Century Games).

Read-through of Meta AI game creation tools for the China online gaming sector — On Sep 24, Meta unveiled two agentic game creation tools and opened for early access signup at Meta Connect, namely Horizon Create on mobile and Horizon Studio on browser which are inter-transferable for production of 2D/3D mobile games covering progression systems, balanced difficulty, art direction for distribution across Facebook, Instagram and Horizon. In China, we also noted accelerating development for AI game creation tools targeting different use cases, including **G-Test** by Century Huatong for internal quality management and beta testing, **Soon** by Kingnet targeting low-barrier AI game development, **TapTap Maker** from XD to provide unique content offering for TapTap ecosystem, **Aippy** as an investee from Newborn Town targeting global UGC communities and **BinkBink** from Huya for casual game interactions. Navigating token cost hurdles, we believe future product advancements may further attract larger studios and indie developers to leverage these AI gaming production tools for higher quality and more efficient production.

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

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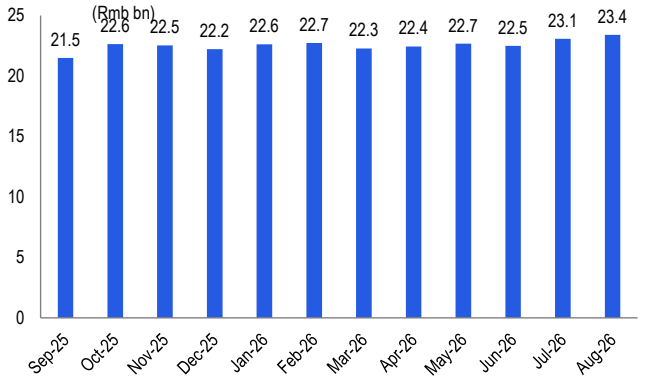
Figure 1. China Online Gaming – Market Size



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Source: CNG, Citi Research

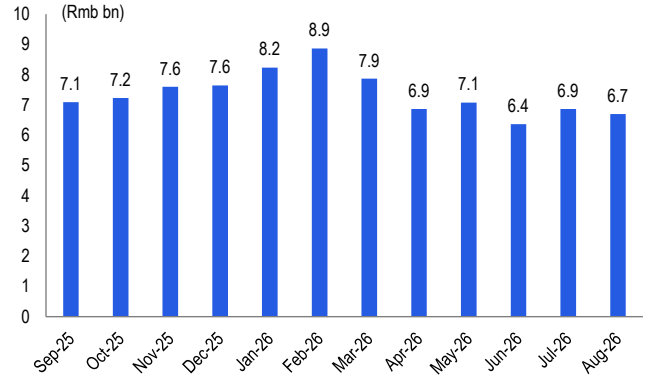
Figure 2. China Mobile Gaming – Market Size



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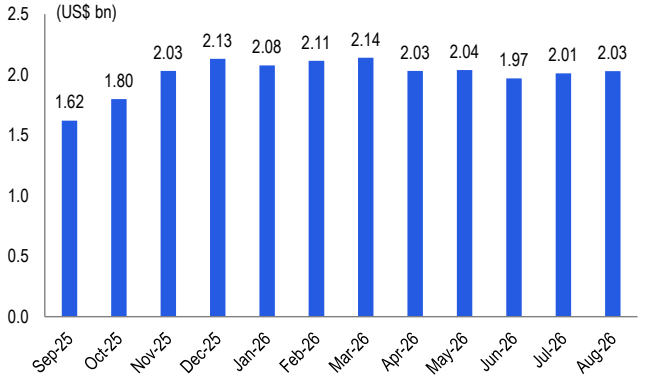
Figure 3. China PC Gaming – Market Size



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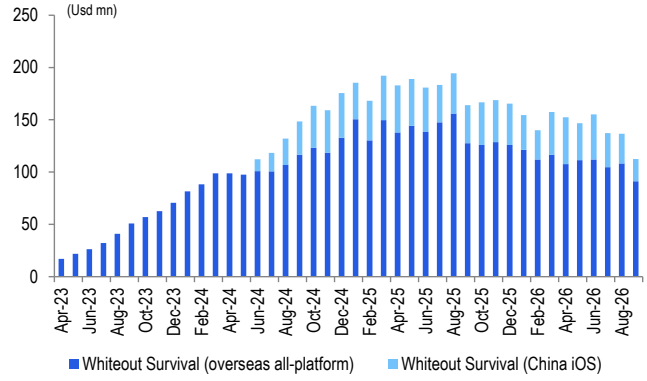
Figure 4. Chinese-developed Games – Overseas Revenues



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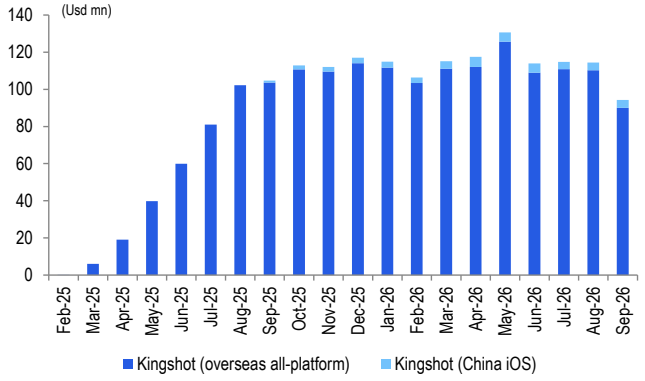
Figure 5. Whiteout Survival (Century Huatong) – All-platform overseas and iOS domestic mobile grossing



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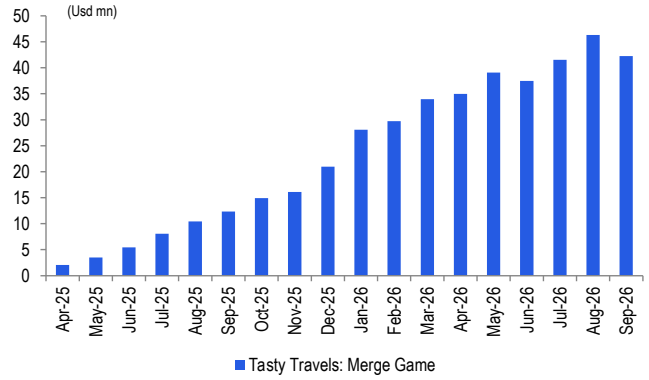
Figure 6. Kingshot (Century Huatong) – All-platform overseas and iOS domestic mobile grossing



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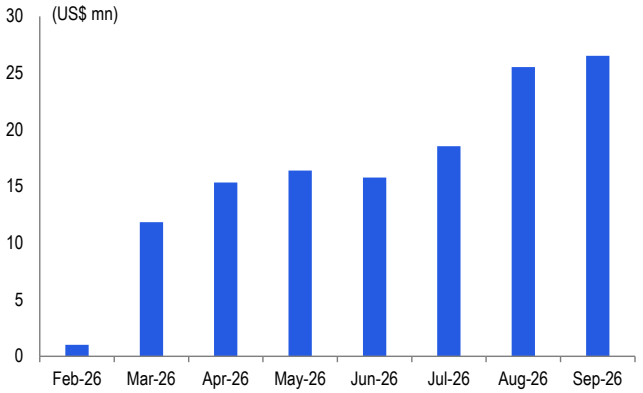
Source: SensorTower, Citi Research

Figure 7. Tasty Travel (Century Huatong) – All-platform overseas mobile grossing



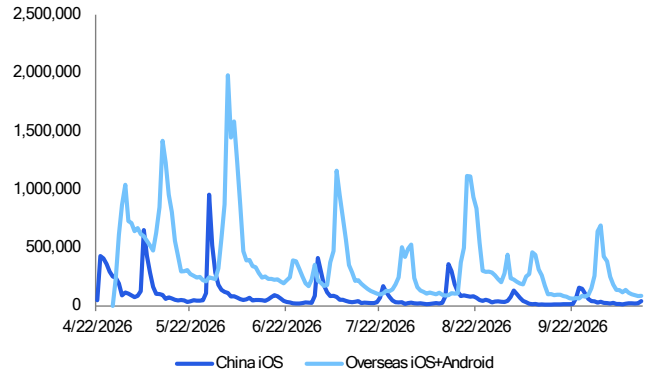
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Figure 8. Last Asylum: Plague (37) – All-platform overseas mobile grossing



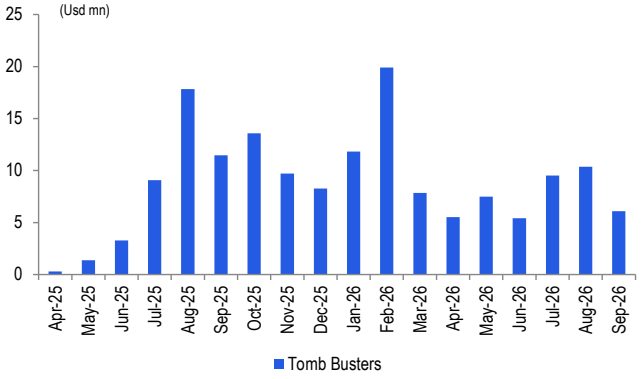
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Figure 9. Neverness to Everness (Perfect World) – All-platform overseas and iOS domestic mobile grossing (US$)



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Figure 10. Tomb Busters (Giant Network) – iOS domestic mobile grossing



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Companies Mentioned:

37 Interactive Entertainment (002555.SZ; Rmb16.93; 1; 16 Oct 26; 15:00) | Bilibili (BILI.O; US$14.43; 1; 15 Oct 26; 16:00) | Century Huatong (002602.SZ; Rmb12.27; 1; 16 Oct 26; 15:00) | Chinese Media (600373.SS; Rmb7.89; 3; 16 Oct 26; 15:00) | G-Bits (603444.SS; Rmb334.52; 1; 16 Oct 26; 15:00) | Giant Network (002558.SZ; Rmb20.95; 1; 16 Oct 26; 15:00) | Huya (HUYA.N; US$2.31; 1; 15 Oct 26; 16:00) | IGG (0799.HK; HK$2.92; 1; 16 Oct 26; 16:10) | Kingnet (002517.SZ; Rmb15.12; 1; 16 Oct 26; 15:00) | Kingsoft (3888.HK; HK$25.54; 1; 16 Oct 26; 16:10) | Kuaishou (1024.HK; HK$29.3; 2; 16 Oct 26; 16:10) | Meta Platforms Inc (META.O; US$726.72; 1; 15 Oct 26; 16:00) | NetEase (NTES.O; US$127.11; 1; 15 Oct 26; 16:00) | Ne
(9911.HK; HK$9.01; 1H; 16 Oct 26; 16:10) | Ourpalm (300315.SZ;
Oct 26; 15:00) | Perfect World (002624.SZ; Rmb9.77; 1; 16 Oct 26
Holdings (0700.HK; HK$417.8; 1; 16 Oct 26; 16:10) | XD (2400.HK
Oct 26; 16:10) | YOOZOO Interactive (002174.SZ; Rmb12.05; 3H;