Equity Research Report

Media

China Games Going Global: Innovation/Quality-Driven Growth

Huatai Research

29 June 2026 | China (Mainland) **In-depth**

China games going global: growth momentum strong

For China's proprietary games, overseas revenue grew by 5.6% YoY in 9M25 and increased from USD11.6bn to USD18.56bn over 2019-2024 (CAGR: 9.1%). Overseas market opportunities remain, with emerging markets such as Southeast Asia and the Middle East demonstrating strong user engagement and buoyant growth potential. While user bases in mature markets such as North America and Europe are approaching saturation, premium titles are unlocking new value. Since 2025, titles such as Century Games', *Whiteout Survival,* have ranked among the top-grossing games in the US, validating Chinese developers' success in gaining traction via differentiated content and localized operations. In our view, the global game market is shifting from traffic-driven growth to structural innovation, and the globalization journey undertaken by Chinese game companies has entered a new phase marked by high-quality growth.

Overseas game revenue growth driven by favorable policies

China's game exports have evolved through three phases – initial PC game trials, strong mobile game growth, and full-suite genre output, alongside a shift from gameplay imitation to high-quality innovation. Domestic game license approval adjustments in 2018 and 2021 accelerated Chinese game companies' shift to overseas markets. In 2023-2025, the central government listed overseas expansion as a strategic priority and provided support for R&D. Driven by favorable policies and cultural value, games have become a key purveyor of China's cultural output. *Black Myth: Wukong* elevates the classic *Journey to the West* narrative by shaping value resonance.

Innovative SLG+X genres stood out

According to CNG, among the top 100 China's proprietary mobile games in terms of 1H25 overseas revenue, simulation games (SLGs) accounted for the largest revenue share of 43.3%. This genre continued to take the lead in China's proprietary game exports. In addition, high-quality titles across role-playing games (RPGs), casual games and shooting games such as *Zenless Zone Zero*, *Gossip Harbor*, and *Delta Force* have reported outstanding overseas revenue on the back of innovative narratives, technology upgrades, and diversified monetization models. Hybrid gameplay mechanics, such as the mix of "match-3 + business simulation" become a prevailing trend. AI technology is boosting game quality. Refreshing user interactions and localized operations, AI can enhance user retention. Meanwhile, AI facilitates the industrial replication of AAA game R&D capabilities and the scaling of high-quality games in overseas markets.

Game export competition among Chinese studios

China's game export market has demonstrated a competitive landscape where tech giants maintain a lead on the back of their globalization strategies, while medium-sized studios gain traction via differentiated innovations. Leveraging IP globalization and establishing overseas in-house studios, Tencent and NetEase are steadily expanding their global market share, and their evergreen titles contribute stable gross billings. Developers such as Century Games and Microfun have carved out strong niches through highly-focused genres, with the former having ascended to the leading tier in overseas expansion. Smaller studios penetrate markets through lightweight and hybrid gameplay mechanics, mixed monetization models (IAP + IAA), enhanced localization, and AI-driven cost cuts. Medium-/small-sized game developers are unlocking new increments in high-value markets such as the US, Japan, and South Korea, as well as emerging markets such as the Middle East and Latin America.

Media **OVERWEIGHT (Maintain)**

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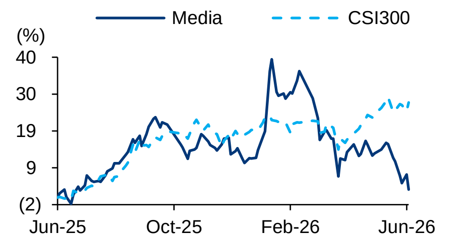
Sector performance



Source: Wind, Huatai Research

Stock recommendations

Company	Code	TP (Local Currency)	Rating
XD Inc	2400 HK	106.38	BUY
Giant Network Group	002558 CH	48.54	BUY
Kingnet Network	002517 CH	25.33	BUY
Sanqi Interactive	002555 CH	28.25	BUY
G-bits	603444 CH	482.23	BUY
Beijing Ultrapower Software	300002 CH	11.06	BUY

Source: Company data, Huatai Research estimates

Where our views differ from the market

Despite market concerns over the addressable game export market and the competitiveness of Chinese games abroad, we hold three key views: 1) Mature markets such as North America and Europe still offer growth potential. Developers are enhancing product value through premium content and localized operations – a feasible pathway validated by leading titles. Emerging markets offer strong user engagement and buoyant growth potential. 2) The global game market has entered an era driven by structural innovations. China's game exports have shifted from gameplay imitation to high-quality innovations across all genres, supported by policy guidance, technology advancements and culture output. 3) Product competitiveness highlights innovative "SLG+X" mix and multi-genre synergy. Narrative innovations and technology upgrades are refreshing RPGs, casual games and shooting games.

Our investment thesis

Looking ahead, we see the following overseas expansion opportunities. 1) Regional expansion: Chinese game companies are shifting from broad coverage to more refined operations while balancing emerging and high-value markets. 2) Gameplay and genre upgrades: Hybrid mechanics and multi-platform rollouts are becoming new trends. We favor the following A-share-listed game companies: Giant Network, XD Inc, Kingnet Network, G-bits, Perfect World, Sanqi Interactive and Ultrapower Software. Other game chain names include Century Huatong.

Risks: policy and compliance risks, game gross billings falling short of our expectations, and market and localization uncertainties.

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Our investment thesis and different views

China's game exports are entering a wave of high-quality growth amid growing tailwinds in overseas markets. In our view, the global game market is shifting from traffic-driven growth to structural innovations, and Chinese game companies' globalization journey has entered a new era driven by high-quality growth.

Sector beta supported by visible overseas expansion and favorable policies. Domestic game license approval adjustments in 2018 and 2021 accelerated Chinese developers' shift to overseas markets. In 2023-2025, the central government listed overseas expansion as a strategic priority and provided supported for R&D. Driven by favorable policies and cultural value, games have become a key carrier for China's culture output. *Black Myth: Wukong* elevates the classic *Journey to the West* narrative by shaping cultural resonance. In our view, overseas expansion represents a booming theme for the game sector.

Company alpha: SLGs, featuring long-term operations, contribute a relatively steady stream of cash flows. Leading companies focus on core genres and demonstrate competitiveness in vertical segments. Specifically:

SLG+X genres have posted stellar performance, with AI enabling high-quality game experiences
Per CNG's "January-June 2025 China Game Industry Report", among the top 100 China's proprietary mobile games in terms of 1H25 overseas revenue, SLGs accounted for the largest revenue share of 43.3%. This genre continued to take the lead in China's proprietary game exports. In addition, high-quality titles across RPGs, casual games and shooting games such as *Zenless Zone Zero*, *Gossip Harbor*, and *Delta Force* have delivered sound overseas revenue on the back of innovative narratives, technology upgrades, and diversified monetization models. Hybrid gameplay mechanics, such as the mix of "match-3 + business simulation" become a prevailing trend. AI technology is boosting game quality. Refreshing user interactions and localized operations, AI can enhance user retention. Meanwhile, AI facilitates the industrial replication of AAA game R&D capabilities and the scaling of high-quality games in overseas markets.

Medium-sized game companies, focusing on core genres, could gain traction with new titles
Leveraging IP globalization and establishing overseas in-house studios, Tencent and NetEase are steadily expanding their global market share. Century Games (under Century Huatong) and Microfun have shaped differentiated competitiveness by focusing on a narrow range of genres, with the former having ascended to the leading tier in overseas expansion. Smaller studios penetrate markets through lightweight and hybrid gameplay mechanics, mixed monetization models (IAP + IAA), enhanced localization, and AI-driven cost cuts. Medium-/small-sized game developers are unlocking new increments in high-value markets such as the US, Japan, and South Korea, as well as emerging markets such as the Middle East and Latin America.

Where our views differ from the market:
1) There remains market expansion potential. Contrary to the market consensus that mature markets such as North America and Europe have limited room to run, we believe growth potential stems from enhancing product value through premium content and localized operations – a feasible pathway validated by leading titles. Emerging markets offer strong user engagement and buoyant growth potential. Overall, we see two parallel strategies of deepening value in mature markets and capturing increments in emerging markets.

2) Different views on growth drivers: Unlike the market consensus on traffic-led overseas expansion, we note that the global game market has entered an era driven by structural innovations. China's game exports have shifted from gameplay imitation to high-quality innovations across all genres. Policy guidance, technology advancements and culture output collectively enhance growth quality.

3) Different views on genre competition: While the market views SLGs as a dominant genre, we highlight innovative "SLG+X" mix and multi-genre synergy. Narrative innovations and technology upgrades are refreshing RPGs, casual games and shooting games. Hybrid mechanics, such as "match-3 + business simulation", stand out as new growth drivers.

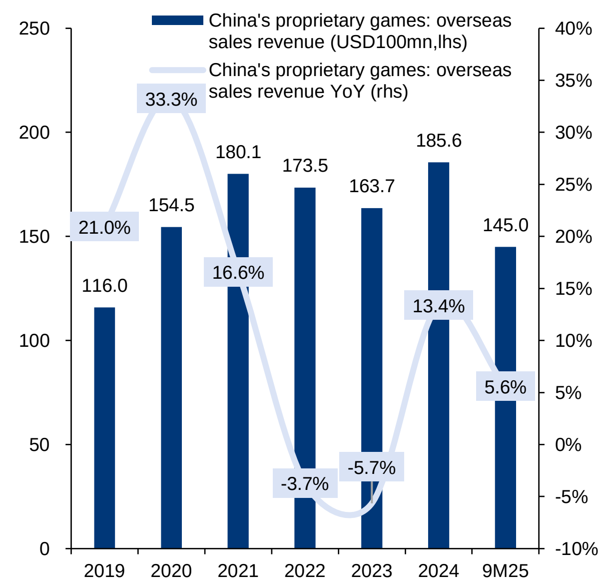
China: mobile games boast global competitiveness

Chinese game companies: overseas market share on the rise

For China's proprietary games, overseas revenue grew by 5.6% YoY. From 2019 to 2024, China's proprietary games saw overseas revenue increase from USD11.6bn to USD18.56bn, implying a CAGR of 9%+. In 2022-2023, overseas revenue edged down amid intense competition among homogeneous products and rising user acquisition costs. In 2024, overseas revenue resumed growth as premium titles gained traction. In 9M25, China's proprietary games recorded an overseas sales revenue of USD14.50bn (+5.6% YoY).

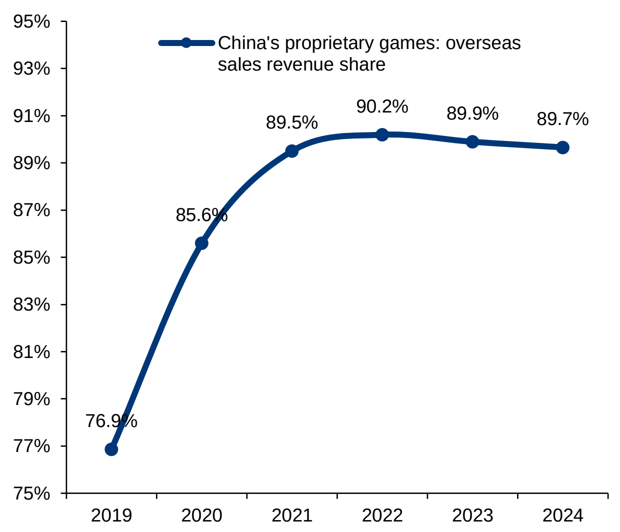
In terms of revenue composition, mobile games have long dominated China's game export mix. Since 2021, mobile titles have consistently accounted for c 90% of total overseas revenue from China's proprietary games. This share has dipped slightly in recent years due to the rise of console titles such as *Black Myth: Wukong*. However, we expect mobile games to remain the cornerstone in China's game export mix over the long term for the following reasons. 1) Well-established mobile game R&D systems and commercialization models enable Chinese developers to rapidly adapt to regional user needs. 2) Mobile games feature flexible rollout scheduling, shorter lifespans, and frequent updates, aligning closer with global content consumption preferences.

Fig.1: China's proprietary games: overseas sales revenue and YoY



Source: CNG, Huatai Research

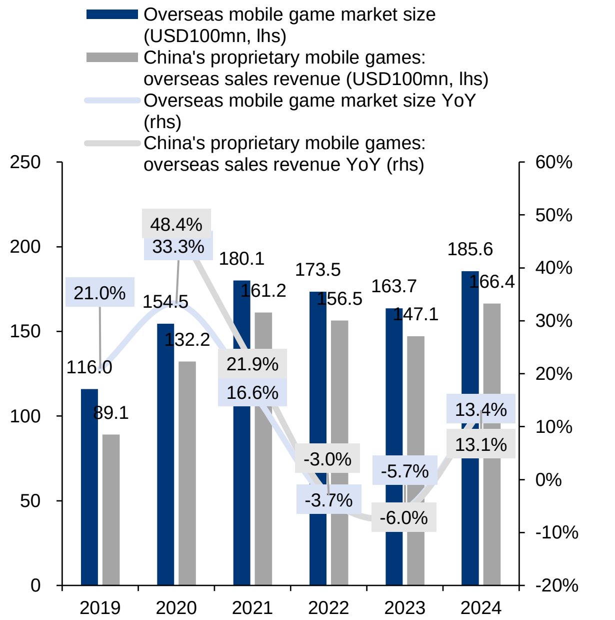
Fig.2: China's proprietary games: overseas sales revenue proportion



Source: CNG, Huatai Research

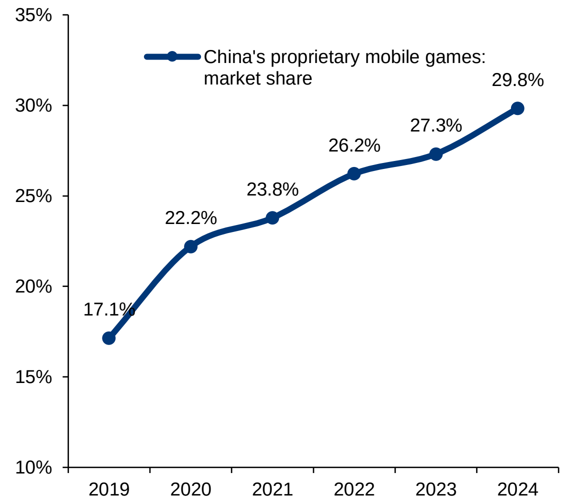
China's proprietary mobile games continue to gain overseas market share. According to CNG, in 2019, China's proprietary mobile games recorded an overseas sales revenue of RMB61.48bn, accounting for 17.1% of the total overseas mobile game market. By 2024, this share had grown markedly to 29.8%. Amid global market contraction in 2022 and 2023, Chinese mobile game developers have demonstrated strong resilience – their overseas revenue remained stable while market share increased from 26.2% to 27.3%. In recent years, they have been optimizing overseas products and strategies to accelerate globalization. We expect improving overseas brand influence and publishing capabilities could allow domestic developers to gain overseas mobile game market share in 2025.

Fig.3: China's proprietary games and mobile games: overseas sales revenue and YoY



Source: CNG, Huatai Research

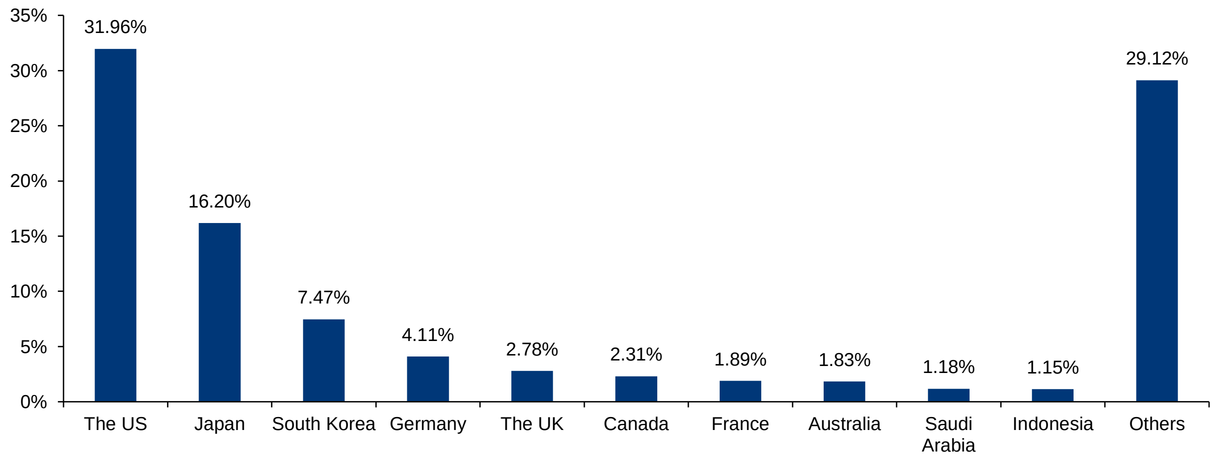
Fig.4: China's proprietary mobile games: overseas sales revenue share



Source: CNG, Huatai Research

For China's proprietary mobile games, their overseas revenue comes mainly from mature markets, but emerging markets are also on the rise. By region, in 1H25, the US accounted for 31.96% of China proprietary mobile games' overseas revenue, ranking first and significantly ahead of other countries. Japan followed at 16.20% and South Korea ranked third at 7.47%. These three markets collectively contributed over 55% of China proprietary mobile games' overseas revenue. Major European countries including Germany, the UK, and France, as well as traditional western markets such as Canada and Australia, all accounted for relatively limited shares. While Saudi Arabia and Turkey in the Middle East accounted for small proportions, these emerging markets offer substantial growth potential.

Fig.5: China's proprietary mobile games: overseas market share (1H25)



Source: CNG, Huatai Research

Emerging markets: growth potential on the rise

Facing intensifying competition, cultural adaptation challenges and diminishing user penetration potential in in the US/Japan/South Korea, Chinese game developers shift to Southeast Asia, the Middle East, and Latin America. These emerging markets become new growth drivers, underpinned by large population bases, rapidly growing internet penetration, and untapped game consumption potential.

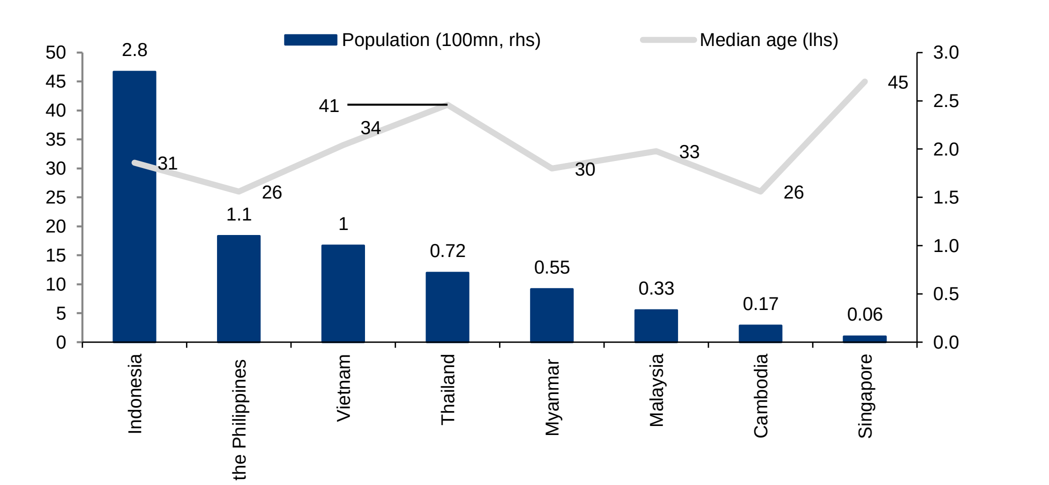
Southeast Asia: population, digitalization, and payment tailwinds

Large population bases with a favorable mix shape a vast potential user pool. Southeast Asia's total population reached 680mn in 2023, making it the world's third most populous region. Excluding Singapore, median ages across Southeast Asia are generally low, such as Philippines (26), Cambodia (26), and Myanmar (30), bringing substantial labor force and consumption power and thus shaping a massive potential gaming user base.

Digital economy is driving growth, with digital infrastructure paving the way for the game market. Per "Southeast Asia Digital Economy Report 2024", overall digital economy profit in Southeast Asia grew from USD4bn in 2022 to USD11bn in 2024. According to DataReportal, in Southeast Asia, internet penetration rate was 78.2% as of February 2025. Additionally, e-commerce businesses in Southeast Asia expanded from USD38bn to USD159bn over 2019-2024, with robust digital payment ecosystems providing growth support for the game market.

Leading downloads and rising payments: According to Sensor Tower, in 1Q25, mobile game downloads in Southeast Asia amounted to 1.93bn, ranking second globally and up by 3% QoQ vs 4Q24; in 1H25, in-app purchase (IAP) revenue climbed by 12% YoY. In addition, pan-Chinese cultural affinity also makes Southeast Asia a core growth driver for Chinese games going overseas.

Fig.6: Southeast Asian countries: population and median age (2023)

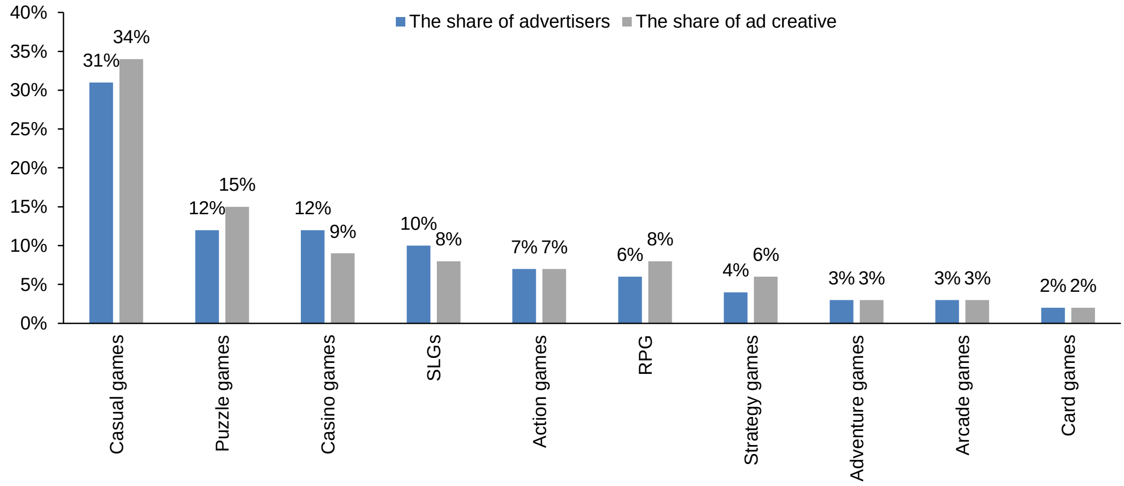


Source: World Bank, various national statistical bureaus, diandian.com, public information, CNG, Huatai Research

Latin America: casual games are growing rapidly

Casual games lead the pack, with monetization potential on the rise. From a user base perspective, Brazil and Mexico, Latin America's two largest game markets, both ranked among the global top 6 nations in terms of mobile game downloads in 1Q25. In 2024, casual game advisers accounted for 31% of mobile game advertising in Latin America, and casual game ad creatives accounted for 34%, respectively 2.6x and 2.3x the second-place puzzle genre's shares. In Latin America, Chinese game companies are mainly boosting revenue growth through massive advertising on pan-casual games.

Fig.7: Game ad placement by genre in Latin America (2024)

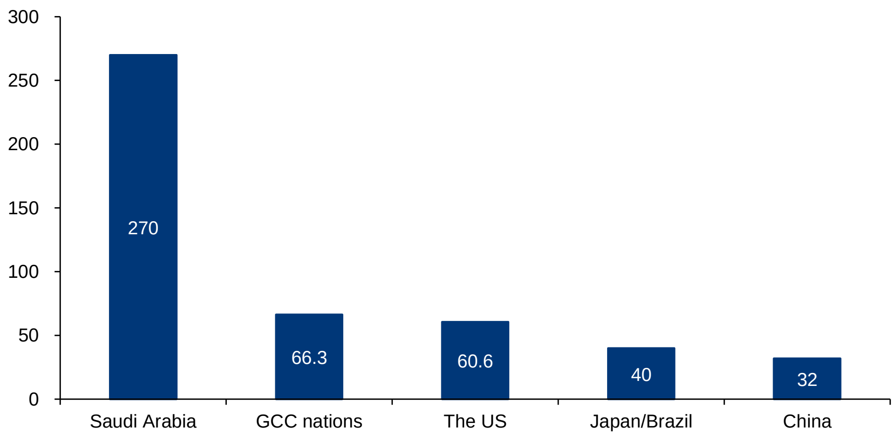


Source: diandian.com, public information, SenseTower, GameTok, Huatai Research

Middle East: high-net-worth users offer untapped value

The Middle East stands out as a blue-ocean market featuring high average revenue per user (ARPU), strong user engagement, and favorable spending sentiment. Middle Eastern users show world-leading payment sentiment. In 2024, Saudi Arabia's mobile game ARPU reached USD270, over 8x China's level, while the overall Gulf Cooperation Council (GCC) region led with USD66.3 vs the US (USD60.6) and Japan/Brazil (USD40). Additionally, the Middle East remains a growing market. Middle Eastern users also demonstrate strong interest in console games. Per DataReportal, as of February 2025, Egyptian gamers spent an average of 122 minutes per day on consoles, while Saudi Arabian players logged 106 minutes per day. Capitalizing on strong monetization and user engagement, Chinese game companies have achieved significant market expansion in the Middle East. In 2024, three of the top four highest-grossing mobile games in the Middle East were developed by Chinese companies.

Fig.8: ARPU (USD) by country/region in 2024

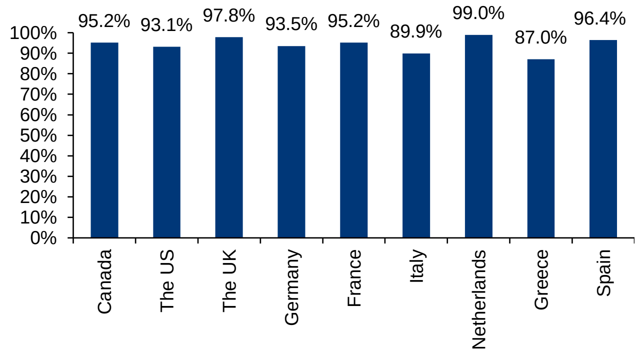


Source: diandian.com, public information, SenseTower, GameTok, Huatai Research

Mature markets: high-quality content unlocks fresh value

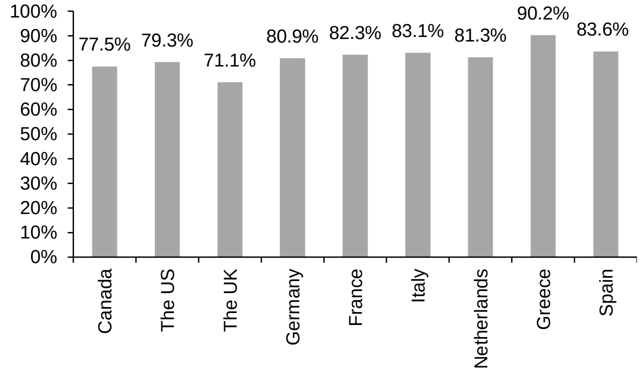
While user-driven growth fades, high-quality titles remain competitive. According to Datareportal, the era of user growth driven by internet and gaming penetration in mature markets such as Europe and North America is nearing its end. According to Datareportal, as of February 2025, internet penetration rates in these markets had exceeded 90%; game penetration among internet users aged 16+ had surpassed 70% (79% in the US; 80%+ in Germany, France, and Italy) These figures suggest a capped user base, and expansion hinges on enhancing monetization per user. In this context, benefits are no longer derived from sheer user traffic but rather from content quality, with premium titles becoming a new preference.

Fig.9: Internet penetration rates in major European and North American markets as of February 2025



Source: Datareportal, Huatai Research

Fig.10: Game penetration rates in major European and North American markets as of February 2025



Source: Datareportal, Huatai Research

Several SLG titles have gained traction in overseas markets, with hybrid innovations supporting strong ARPU growth. In the US, SLG remains a major genre for Chinese companies to penetrate North American and European markets. According to diandian.com, in 2024, titles such as *Last War: Survival*, *Whiteout Survival*, and *Evony* ranked among the top 10 highest-grossing mobile games in the US. These titles commonly feature mixed gameplay, innovative themes, and engaging progression system. Shifting away from earlier heavy numerical stats, Chinese game companies leverage lightweight casual elements and social mechanisms to meaningfully boost ARPU and user retention. Notably, *Last War: Survival*'s US gross billings jumped by over 7,000% YoY, demonstrating the effectiveness of using small casual games to attract users in mature markets.

Chinese game developers are achieving "quality-driven milestones" in overseas markets through a diversified portfolio strategy. New game rankings demonstrate the growing success of this approach: not only have multiple China-made titles entered top charts, but the genre mix has become markedly more diverse, signaling a strategic shift away from reliance on a single genre towards refined audience segmentation and targeted production. Specifically, RPG remains the core export genre, with standout titles including Lilith Games' *AFK Journey*, miHoYo's *Zenless Zone Zero*, and Kuro Games' *Wuthering Waves*. Beyond RPGs, Chinese studios are making strong inroads in other genres such as casual progression games and otome games. For instance, 4399's *Legend of the Mushroom Warrior* combines roguelike elements with idle progression mechanics. Papergames' *Love and Deepspace*, targeting emotional connections, records strong gross billings in Japan and North America, where female users account for a higher share.

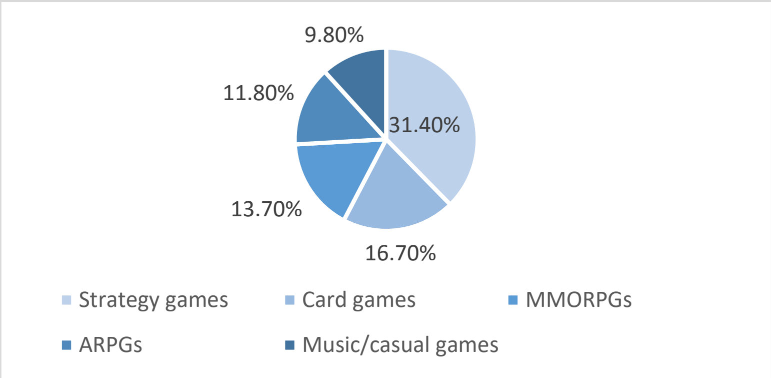
China game exports: from scale- to quality-driven growth

China's game exports have undergone three stages: 2013-2017 (driven by the mobile game wave), 2018-2022 (motivated by domestic game license approval control) and 2023-2025 (backed by quality content). For game exports, moderating growth reflects increasing quality. Game companies have accessed new quality growth drivers after aggressive expansion.

2013-2017: strong mobile game growth driven by tech & capital

In 2013-2017, China's game exports shifted from "local trials" to "scaled expansion". **Rising smartphone penetration propelled mobile games to become the major driver for overseas expansion.** Leveraging numerical design cases accumulated over the web game era, Chinese game companies have quickly tapped into the strategy genre and obtained differentiated competitiveness. In 2014, Elex launched *Clash of Kings* (COK) in European and North American markets, recording monthly overseas gross billings of USD40mn. FunPlus's *King of Avalon* further solidified its advantage in the SLG genre. **Leading game companies integrated R&D resources through overseas M&A initiatives.** For example, Tencent invested in Supercell to rapidly acquire well-established R&D capabilities and localized operation experience, thereby boosting the efficiency of global product adaptation. During this stage, **game companies transitioned from publishing as agents to exporting proprietary games,** delivering significant upgrades to product quality and gameplay design. Beyond SLG, genres such as casual games and RPGs entered trial operations overseas.

Fig.11: Distribution of the number of product categories for Chinese games going global (2016)



Source: CNG, Huatai Research

2018-2022: post-pandemic supply expansion and quality upgrades

The suspension of domestic game license approvals forced Chinese game developers to accelerate overseas expansion. Due to the COVID-19, people spent more time at home, which boosted game growth. The license approval halt from April-November 2018 and new anti-addiction regulations disrupted game developers' expectations, prompting a strategic pivot towards overseas expansion. In 2018, updated regulations and the suspension of game license approvals prevented numerous new titles from monetization. In April 2019, the National Press and Publication Administration (NPPA) convened a meeting on game quality refinement and started to implement strict game license approval control. The number of approved new games declined during 2019-2022.

However, during this stage, domestic leading game developers had established initial presence overseas, with diversifying genres featuring premium content. Through years of overseas operations, Chinese game leaders including Tencent, NetEase, and miHoYo gained some overseas market share. Traditional cultural themes and Chinese elements in exported games become the carriers showcasing Chinese culture overseas.

In August 2021, the "Notice on Further Tightening Management to Effectively Prevent Minors from Becoming Addicted to Online Games" issued by the NPPA mandated that all online games must integrate anti-addiction systems and imposed limits on minors' gaming time. This regulatory pressure compelled game developers to pivot towards overseas markets. Casual games, characterized by simple gameplay mechanics and relatively easy localization, recorded strong overseas revenue growth. According to iResearch, in 2021, tile-matching/strategy/simulation genres recorded rapid overseas revenue growth of +121.9/+42.3/+42% YoY.

During this stage, games become a crucial carrier for Chinese culture output. The "Opinions on Supporting High-Quality Development of Outbound Cultural Trades" issued by the Ministry of Commerce and 26 other authorities in July 2022 explicitly called for "developing digital cultural trades and cultivating export competitiveness in online games, esports, and related sectors". For the first time, policymakers designated games as an important carrier for culture output and supported game globalization. In August 2022, the "14th Five-Year Plan for Cultural Development" issued by the State Council identified digital products, including games, as priorities for culture export initiatives.

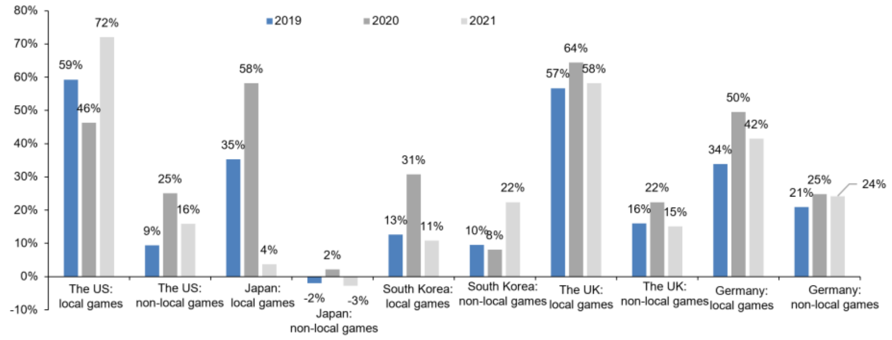
Fig.12: Suspended game license approvals from 2018 to 2022

Suspension period	Reasons
April-November 2018	In March 2018, the "Notice on Important Matters Regarding Game Application and Approval" issued by the then State Administration of Press, Publication, Radio, Film and Television stated that the approval process for online games would be suspended due to institutional reforms. In August 2018, the Ministry of Education, together with eight departments including the National Health Commission, formulated the "Comprehensive Implementation Plan for Preventing and Controlling Myopia among Children and Adolescents." Among them, the NPPA would implement total quantity regulation on online games to control the number of newly launched online games for operation.
April 2019	In May 2019, the NPPA held a special conference on national game management, proposing to control the number of products with game approval numbers. After resuming game approval processes, the approval of new game approval numbers should favor high-quality games.
August 2021-March 2022	In August 2021, the NPPA issued the "Notice on Further Strengthening Management to Effectively Prevent Minors from Indulging in Online Games," which limited the online gaming time for minors and simultaneously strengthened requirements for real-name registration.

Source: NPPA, Huatai Research

Continuous innovations in gameplay, themes, and art styles have created a diverse landscape ranging from simple casual games to complex open-world games, catering to the preferences of players across all age groups and cultural backgrounds. Distribution covers major markets such as Europe, North America, Japan, South Korea, and Southeast Asia, where a series of domestic mobile games have obtained remarkable results overseas. Represented by *Genshin Impact*, China-made games have shifted from "gameplay imitation" to "technology leadership", gaining traction in overseas markets on the back of cross-platform compatibility, dynamic weather systems, and real-time multi-language voice acting. miHoYo's "pity system" for gacha mechanics has been emulated by global game developers. *Mobile Legends: Bang Bang* has extended its IP influence into publishing and education sectors through strategies such as hero localization plus collaborations on education (eg, Moonton's education project in Malaysia).

Fig.13: Top 100 games in key mobile game markets: YoY gross billing growth rates in 2019-2021



Source: CNG, Huatai Research

2023-2025: AAA games and hybrid casual games gained traction

Leading titles: *Whiteout Survival*, *Black Myth: Wukong*, and *Honkai: Star Rail*.

In 2024, Chinese game companies saw overseas revenue growth rebound. Chinese mobile games' overseas revenue improved from USD16,366mn in 2023 to USD18,557mn in 2024 (a record high), with YoY rate turning around from -6% in 2023 to +13% in 2024. We attribute this growth mainly to the following reasons. 1) Oversea demand recovery. As the global economy gradually recovered and consumers' entertainment spending rallied, overseas markets such as Europe and North America entered a scale recovery. According to diandian.com, in 2024, the size of overseas mobile game markets rose by 3.86% YoY to RMB543.58bn. 2) Chinese game games showed stronger R&D capabilities and started to launch AAA-grade titles. High-quality games led by *Black Myth: Wukong* garnered global attention, significantly boosting the international reputation of Chinese game production and player expectations. This reflects notably enhanced comprehensive competitiveness of Chinese developers, who are able to compete with international giants in top-tier production. 3) Innovative genres such as mini-games scored a great victory in overseas markets. Beyond traditional genres, Chinese game companies have achieved breakthroughs in specific genres such as mini-games. Leveraging their lightweight nature, ease of propagation, and innovative business models, Chinese game companies obtained new growth drivers in overseas markets.

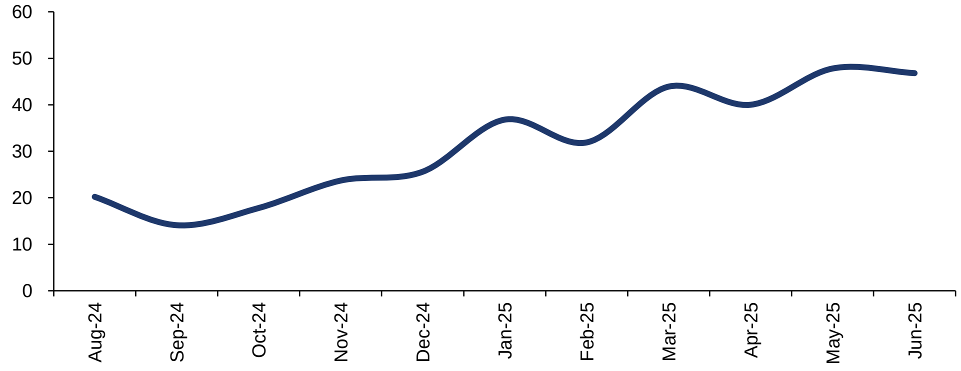
In 2024, the brightest spot in the game market was the rollout of China-made AAA-grade single-player games. *Black Myth: Wukong*, developed by Game Science, was launched globally on 20 August 2024 and immediately ignited the market. This title surpassed 10mn copies sold worldwide within its first three days and exceeded 20mn copies sold within its first month, becoming one of the fastest-selling games in history. Topping global sales charts on several platforms such as Steam with its exquisite production, stunning visual effects, and profound culture depth, this title earned positive feedback from global media outlets and players. An average Metacritic score of 82 made it a milestone for China's game industry and meaningfully amplified the global influence of Chinese culture. This phenomenon-level title indicates that Chinese companies boast global competitiveness not only in mobile games but also in AAA-grade games traditionally dominated by developers from Europe, North America, and Japan.

Since 2025, a growing number of "casual + X" games have recorded rising rankings. Refined operations help top legacy products extend their lifecycles, and new technologies alongside cross-platform strategies have activated existing user bases. According to the 1H25 overseas revenue ranking launched by AppMagic, top products maintained their leadership. Century Games' *Whiteout Survival* ranked first with a revenue of USD620mn (+27%). Tencent's *PUBG Mobile* and miHoYo's *Honkai: Star Rail*/*Genshin Impact* stayed in the top tier with a massive revenue.

During this stage, another bright spot was mid-tier titles' strong revenue growth. *Kingshot*, a new shooting game developed by Century games, showcased stellar performance and strong competitiveness, with overseas revenue surpassing USD75mn within its first four months (per Sensor Tower data). *Gossip Harbor*, a casual merge-2 game developed by Microfun, ranked second with revenue jumping by 78%. Microfun's another title *Seaside Escape* saw revenue grow by 37%. Innovative hybrid genres have become core revenue growth drivers. In addition to titles mentioned above, *Last Z: Survival Shooter*, a flagship title blending 4X strategy and shooting gameplay, entered the ranking for the first time with a strong growth rate of 1,662%. Hybrid casual games such as *Top Heroes*/*Dark War: Survival*'s stellar revenue growth rates of +87/+312% validate that gameplay mixing is a key strategy for acquiring new users.

For Chinese game companies, launching titles on various overseas platforms is a common practice. Since 3Q24, China's game exports have recorded rising cross-platform downloads, which reached a phased peak in May 2025, with a cumulative increase surpassing 200%. Despite fluctuations along the way, cross-platform publishing has shifted from a supplementary measure to a core strategy for Chinese game companies going global. Amid this trend, phenomenon-level titles such as *Black Myth: Wukong*, which were launched globally on multiple platforms, have served as key accelerators. Their success reflects commercialization outcomes and marks broad-based upgrades to domestic games in terms of cross-platform synergy, global integrated marketing, and high-quality content production. These titles provide a valuable benchmark for game companies.

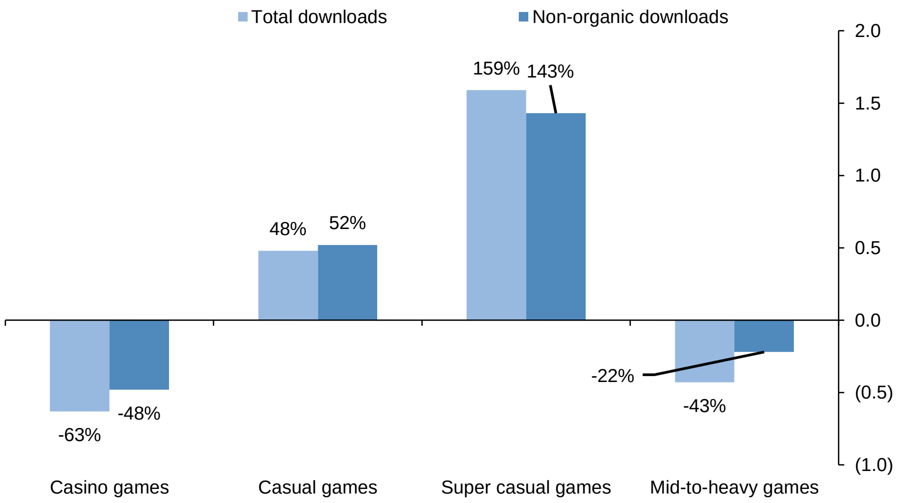
Fig.14: China game exports: cross-platform downloads (3Q24-2Q25)



Source: AppMagic, Huatai Research

Since 2025, lightweight and super casual games have emerged as new growth drivers for overseas expansion, driven by AI-enabled cost reductions and efficiency gains alongside supportive platform policies. These genres encompass instant-play H5 mini-games, platform mini-programs, and super casual mobile games with relaxed gameplay adapted for fragmented scenarios, collectively characterized by a small scale, fast pace, and easy gameplay. As overseas increments are shifting to emerging markets, such flexible and low-cost products are encountering an unprecedented growth window. Meanwhile, mid-to-heavy games have gradually moved beyond extensive user acquisition competition into a new phase of refined operations.

Fig.15: China mobile games: overseas download growth rates in 1H25



Source: AppMagic, Huatai Research

Policymakers encourage domestic games to go global. In 2023-2024, the central government coordinated with local governments to provide financial support for game exports, with localities such as Zhejiang, Hainan, and Chengdu issuing game support policies. Hainan encourages international data business operators to provide game services overseas, and has attracted game companies such as Tencent, Century Huatong, and Sanqi Interactive. Chengdu's High-Tech Zone offers tiered rewards to newly-exported games within the year, granting RMB300k for every RMB10mn in revenue, with a cumulative annual cap of RMB5mn per enterprise. Xiamen's Siming District rewards RMB50k per original game if user payments reach USD100k following its first launch on overseas platforms. In 1H25, national and local policies worked in a synergy. Strategy upgrading covered "going global" as a national program, supplemented by technology support for engine and AI R&D. Local governments followed suit quickly and provide differentiated support based on regional advantages. Beijing established an "Going Global Service Zone" to optimize approval processes. Shanghai treated games developed by foreign enterprises in the city as domestic ones to enable technology introduction. Zhejiang issued the first provincial-level special initiative to build an industrial cluster. Guangdong developed a collaborative ecosystem for large, medium, and small enterprises to go global together. This policy system is characterized by multi-layered structure, strong coordination, and emphasis on implementation, significantly shortening compliance approval timelines, lowering capital and technology thresholds, and building regional collaboration networks that enable enterprises, especially small and medium-sized teams, to integrate resources more efficiently. Furthermore, policies call for empowering overseas expansion with technology, content and hardware, substantially boosting the speed and competitiveness of Chinese games' globalization.

Fig.16: Overview of China's policies related to game globalization in 1H25

Launched in	Policy document	Main content	Level	Issued by
April 2025	"Comprehensive Pilot Work Plan for Expanding the Opening-up of the Service Sector"	Game globalization is incorporated into the national strategy, with a full-chain layout covering IP-production-distribution	National level	Ministry of Commerce
April 2025	Policies for newly added pilot cities	Nine new pilot cities including Shenzhen/Xiamen have been added, with relaxed foreign capital access.	National level	Ministry of Commerce
April 2025	"Innovation-Driven Plan for Technological Advancement in Online Publishing"	Support joint R&D of games and GPUs, and strengthen protection of game engines/IPs	Ministerial level	Ten departments including NPPA
March 2025	*Report on the Work of the Government in 2025*	It proposes to "expand international cultural and people-to-people exchanges and cooperation, and comprehensively enhance the effectiveness of international communication," emphasizing the use of digital technology to empower cultural exports and promote the orderly opening-up of the internet and cultural sectors.	National level	State Council
February 2025	Public Notice on Soliciting Public Opinions on the "Several Measures to Support the Global Expansion of Zhejiang-Produced Games by 17 Departments Including the Zhejiang Provincial Department of Commerce and the Publicity Department of the Zhejiang Provincial Party Committee (Draft for Solicitation of Comments)"	Support Zhejiang-produced games to go global from four aspects: promoting the upgrade of the game industry's capability level, strengthening the support of game globalization platforms, improving the ecological services for game globalization, and reinforcing the factor guarantees for game globalization.	Local level	Department of Commerce of Zhejiang Province
February 2025	Announcement on Soliciting Opinions on the "Implementation Plan of the Hangzhou Municipal People's Government for Promoting the Construction of the Core Area of the Global Digital Trade Port (2025–2027)"	Plan the digital game base in Xihu Art Creation Town and strengthen the trade of digital products such as digital media, digital film and television, and animation games. Simplify the approval process for digital content exclusively for export, establish 12 distinctive digital trade parks, and promote the collaborative development of the animation game industry with artificial intelligence, cultural tourism, and other industries.	Local level	Hangzhou Municipal Bureau of Commerce
May 2025	Key enterprises and projects for national cultural exports	Provide selected enterprises with special support in funding/approval/overseas promotion	National level	Ministry of Commerce
June 2025	Regularized issuance of game licenses	In June, 158 game approval numbers (including imported games) were issued, hitting a new annual high.	Ministerial level	NPPA
June 2025	"Implementation Plan for Promoting High-Quality Development of Trade in Services and Digital Trade in Shenzhen City"	Provide financial support for overseas projects and establish overseas R&D centers	Municipal level	Shenzhen Municipal Government

Launched in	Policy document	Main content	Level	Issued by
July 2025	Several Measures on Supporting the Global Expansion of Games	The first provincial-level special policy in China, with 20 measures to support the entire industrial chain	Provincial level	Zhejiang Provincial Government
July 2025	Pilot policy for foreign-invested game enterprises in Shanghai	Games developed by foreign capital in Shanghai are regarded as domestic products, and technology import is opened up.	Municipal level	Shanghai Municipal Government
July 2025	Beijing's incentive policies for going global	A maximum reward of RMB 5mn for going global, and support of RMB 30mn for technological breakthroughs	Municipal level	Beijing Municipal Government
July 2025	Industrial cluster policies in Guangdong Province	Establish overseas service centers, with a maximum award of RMB 5mn for original projects	Provincial level	Guangdong Provincial Government
July 2025	Industrial park policies in Hongshan District, Wuhan City	Provide park support such as preferential site terms/tax relief	District level	Government of Hongshan District, Wuhan City

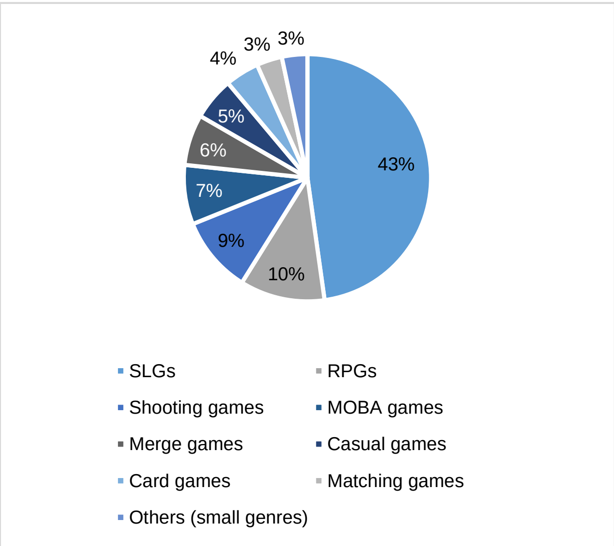
Source: Central and local governments, NPPA, Ministry of Commerce, Huatai Research

Genre innovations align with overseas user needs

SLGs continues to lead the way

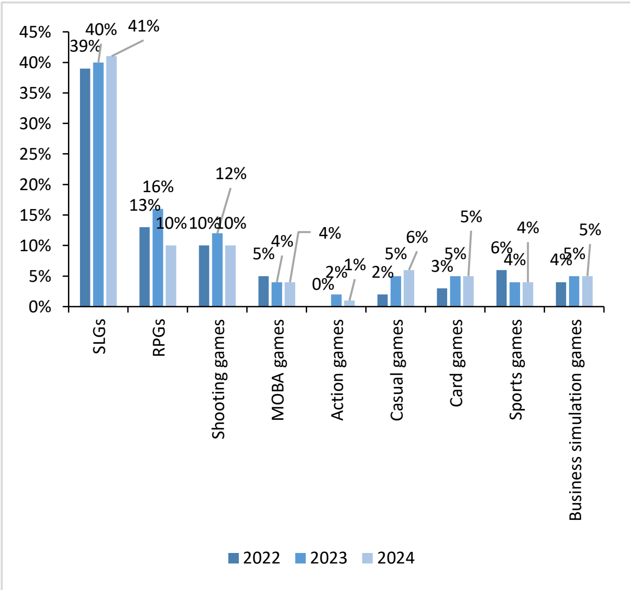
China's proprietary game exports feature a large proportion of SLGs, with remaining genres engaging in differentiated competition. In 1H25, SLGs accounted for 43.3% of total overseas revenue among the top 100 China's proprietary titles, solidifying its position as the leading genre. The overseas revenue share of SLGs increased from 38.7% in 2022 to 43.3% in 1H25, reflecting this genre's strong growth visibility and resilience in overseas markets. Following SLGs, RPGs/shooting games ranked second/third with an overseas revenue share of 10.0/8.9%. RPGs capitalize on IP momentum and immersive narratives, while shooting games prioritize competitive gameplay experience upgrades. Both genres have competitive appeal within their target user bases.

Fig.17: China's proprietary mobile games: overseas revenue by genre (1H25)



Source: CNG, Huatai Research

Fig.18: China's proprietary mobile games: overseas revenue by genre (2022-2024)



Source: CNG, Huatai Research

Global mobile game rankings in 1H25 showed that SLGs led in total revenue and growth momentum, reaffirming this genre's competitiveness. RPGs and shooting games gained traction as differentiated genres. Among 12 titles developed by Chinese game companies that made the list, there were three SLGs and three RPGs. Among SLGs, *Last War: Survival* and *Whiteout Survival* ranked firmly among the top 3 spots, leveraging their "survival + SLG" hybrid gameplay to retain highly-engaged users. Meanwhile, RPGs such as *Genshin Impact* and *Honkai: Star Rail* solidified their established IP foundations through expansive open-world storytelling and continuous content updates. Among 19 titles developed by Chinese game companies appearing on the growth leaderboard, SLGs took the lead with seven entries, while RPG and shooting genres each contributed three titles, reflecting core genre' resilient growth and diversification potential. The seven SLG titles included both mature franchises such as *Last War: Survival* and breakout newcomers that have successfully carved out niches through hybrid gameplay mechanics. The three RPG titles recorded revenue growth on the back of fresh IP narratives. The three shooting titles enhanced their appeal through cross-platform technology integration and global operations. The difference between the revenue and growth charts highlights distinct strategies. SLGs strengthen user retention and expand into new markets through a combination of new product launches and long-term operations. RPGs maintain revenue growth resilience by managing IP lifecycles and rolling out content updates. Shooting games derive new growth drivers from a full spectrum of platforms and global operations.

Fig.19: Titles from Chinese studios on the 1H25 global mobile game revenue chart

Ranking	Game	Genre	Revenue (USD)
1	*Honor of Kings*	MOBA	1020M
2	*Last War: Survival*	SLG	871M
3	*Whiteout Survival*	SLG	814M
5	*PUBG MOBILE*	Shooting game	715M
13	*Honkai: Star Rail*	RPG	238M
15	*Gossip Harbor: Merge & Story*	Casual game	225M
16	*Love and Deepspace*	SLG	215M
17	*Genshin Impact*	RPG	215M
18	*Dungeon & Fighter: Origins*	RPG	200M
19	*Golden Spatula*	Auto chess	199M
21	*CrossFire: Legends*	Shooting game	171M
30	*Evony*	SLG	138M

Source: AppMagic, Huatai Research

Fig.20: Titles from Chinese studios on the 1H25 global mobile game revenue growth (net) chart

Ranking	Game	Genre	Sequential revenue growth (USD)
1	*PUBG MOBILE*	Shooting game	198M
2	*Whiteout Survival*	SLG	179M
4	*Honor of Kings*	MOBA	169M
5	*Last War: Survival*	SLG	119M
6	*Gossip Harbor: Merge & Story*	Casual game	99M
7	*CrossFire: Legends*	Shooting game	98M
9	*Dark War: Survival*	SLG	88M
10	*Kingshot*	SLG	82M
11	*Archero 2*	Roguelike shooting game	82M
13	*Delta Force*	Shooting game	70M
16	*Wuthering Waves*	RPG	60M
17	*Top Heroes*	SLG	54M
18	*Last Z: Survival Shooter*	SLG	51M
19	*Where Winds Meet*	RPG	51M
21	*Golden Spatula*	Auto chess	47M
22	*Hero Has No Flash*	RPG	42M
23	*Love and Deepspace*	SLG	36M
28	*Capybara Go!*	RPG	31M
30	*DC: Dark Legion*	SLG	31M

Source: AppMagic, Huatai Research

The SLG genre has entered its 3.0 era. As the number of outbound SLG titles continued to grow and competition intensified, gameplay mechanics have progressed from the foundational 1.0 era characterized by traditional mechanics and basic monetization models, through the 2.0 era marked by theme diversification, refined monetization, and user base expansion into lower-tier markets, to the current 3.0 era defined by the integration of casual gameplay elements, hybrid themes, denser monetization touchpoints, and broad user acquisition channels. Amid intensifying product competition, developers are carving out distinct paths and giving rise to blockbuster titles. For instance, Florere Game's *Dark War: Survival* relies on drama-style storytelling, opening with an animated sequence and maintaining a coherent narrative flow across chapters. These features keep players deeply engaged throughout their journey and immersed in the protagonist's turbulent fate. The game strategically places monetization around rescue scenarios, which makes players more willing to spend. Century Games' *Kingshot* blends idle strategy, resource management, and light tower defense mechanics, adopting an innovative three-tiered structure – light tower defense, medium management, and heavy strategy. In Europe and North America, this title has recorded a revenue of USD100mn+ in just 117 days after launch.

Fig.21: Overview of SLGs in the eras of 1.0 to 3.0

Era	Year	Representative titles	Core gameplay mechanics and characteristics	Peak gross billing
1	About a decade ago (before 2017)	*Little Empire* (Camel Games) *COK* (Elex)	• Traditional strategic gameplay • Limited user scale • Basic commercialization model	Approximately USD20-40mn per month (mobile game *COK*'s gross billing reached a peak of around USD40mn in March 2016).
2	2018-2022	*Age of Origins* (Camel Games) *Rise of Kingdoms* (Lilith Games)	• Theme expansion + gradual integration (doomsday, cultivation + strategy, etc.) • User penetration strategy • Optimized payment depth	Approximately USD50mn per month
3	2023-2025	*DL/LOA* (Camel Games) *Last War: Survival* (Century Huatong) *Whiteout Survival* (Century Huatong)	• Multiple products • Integration of casual gameplay (eg, business simulation) • Intensive payment points (drawing on *Last War: Survival*) • Acquisition of broad user base • Hybrid themes (eg, snow and ice + doomsday)	Approximately USD150mn/month (*Last War: Survival* reached a peak of around USD150mn in July 2025).

Source: Sensor Tower, Huatai Research

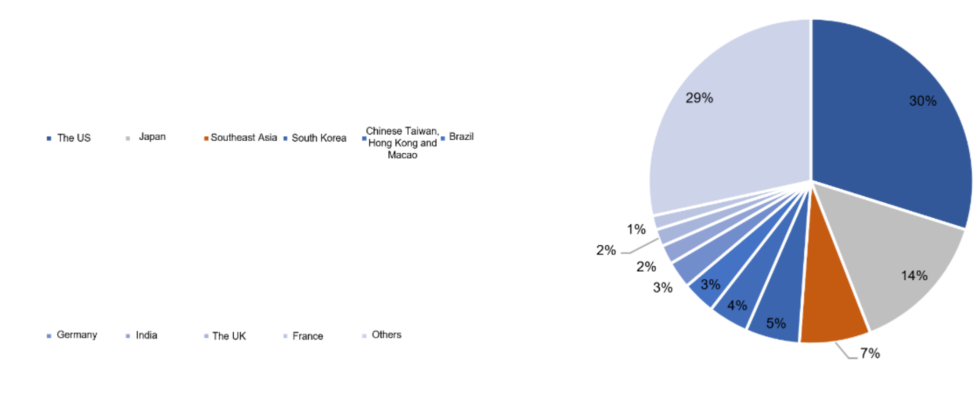
RPGs: IPs and anime-style aesthetics have become the primary growth drivers for early-generation RPGs, driving further segmentation within the genre. Initial RPG exports, such as IP adaptations such as *Westward Journey* and *Sword Heroes Fate* achieved remarkable success in Southeast Asia. Building on this momentum, leading game companies such as NetEase and Tencent adapted well-known IPs into RPGs to penetrate overseas markets, launching titles such as *Moonlight Blade*, *Xuan Yuan Legend*, and *The Lord of the Rings*. In recent years, *Black Myth: Wukong*, blending Chinese cultural IP with international preferences, stood out as a blockbuster RPG. Beyond IP-based RPGs, anime-styled RPGs represent another strategic focus for Chinese developers going global, including hit titles such as *Arknights* and *Azur Lane*. Furthermore, RPGs have been diversifying into various sub-genres, with new niches emerging in response to evolving player needs. Chinese studios have demonstrated user acquisition competitiveness in popular sub-genres such as massively multiplayer online RPGs (MMORPGs) and turn-based RPGs. In 2020, the rollout of *Genshin Impact* pioneered the open-world RPG sub-genre and has consistently ranked among the top tier on global mobile games revenue charts. According to AppMagic's 1H25 Global Mobile Game Revenue Ranking, Genshin Impact ranked no. 17 among all genres and 2nd among RPGs. Overall, according to Meetsocial's 2025 Global RPG Market Research Report, Chinese developers led the global RPG mobile game market in both revenue and downloads, underscoring their strong competitiveness in exporting RPG titles.

Immersive narrative innovations and long-term character lifecycle management have become strategic focal points for RPG development. In its version 2.0 update, *Zenless Zone Zero* abandoned the cyberpunk paradigm and instead deeply integrated details from 1980s-1990s Chinese Hong Kong and Guangdong lifestyles, such as flip flops, plastic slippers, and psoriasis clinic advertisements, to imbue its fictional city, Cheng Hui Ping, with a stronger sense of authentic, lived-in realism. The update also offered fresh interpretations of modern Daoist philosophy through narrative devices such as the origin story behind the name "Suibian Temple", delivering an organic mix of cultural symbols and spiritual substance. Meanwhile, the version 2.0 moved beyond the conventional anime-style model that treats characters as short-term traffic drivers. Centered on enduring companionship, the version 2.0 refined the fluidity and tactile responsiveness of existing characters' combat move sets, increased opportunities for veteran characters to appear meaningfully in both story and gameplay, and introduced a new system of "Trusty Travel Companion". All these updates aimed at extending character lifespans and shaping emotional connections between players and characters.

Casual games: Innovative gameplay mechanics and diversified monetization models have become key tools for Chinese developers to unlock the spending potential of overseas users. According to Sensor Tower's 2025 Mobile Game market Report, casual games saw IAP revenue grow by USD32.4bn YoY in 2024, marking the largest YoY increase of +6.4%. According to AppMagic, in western tier-1 casual game markets, revenue grew by 11.7% YoY, while downloads only edged up by 4.1%, indicating that the casual game sector has entered a phase where Chinese outbound game companies prioritized penetrating high-value paying users. This trend was exemplified by *Gossip Harbor*, which ranked among the top 3 Chinese mobile games in terms of overseas revenue (per Sensor Tower) from May to July 2025. This game innovatively blends merge mechanics with emotionally engaging storylines. Capitalizing on frequent event operations and a model combining IAP and ads, this game delivered strong monetization results and ranked first in 1H25 overseas revenue among China-developed casual games. In our view, this title underscores the pivotal value of novel gameplay and diversified monetization channels in unlocking user spending potential.

Shooting games: Cross-platform technology integration and global operations have become strategic cornerstones. 1) Cross-platform technology integration: The precision-oriented nature of shooting games makes keyboard-and-mouse control the optimal input method. Multi-device support is a key strategy for game operator to meet more user needs. Tencent's *Delta Force* leveraged seamless PC-mobile data sharing to remove cross-platform experience barriers, quickly topping the free game charts on the App Store in 169 countries and regions upon launch. Its Steam version has maintained over 100,000 peak concurrent users per day, and global pre-registrations for its mobile version exceeded 25mn, validating that multi-platform rollouts have meaningfully enhanced user engagement. 2) Global operations: While traditional markets such as the US continue to account for a high share of overseas shooting game revenue, emerging markets are gaining traction. According to NetEase's youdata.163.com, titles such as *CS2 & GO* and *PUBG MOBILE* have registered rapid MAU growth in Russia, Brazil, and Turkey. Global operations have become one of the key strategies for managing shooting games. For instance, *Delta Force* delivers localized features and tailors marketing campaigns regionally. It selects Daniel Wu as the ambassador in China while commissioning a promotional video in collaboration with the Salamanca Brothers to attract overseas players, showcasing its sound capabilities in both cross-platform technology integration and global operations.

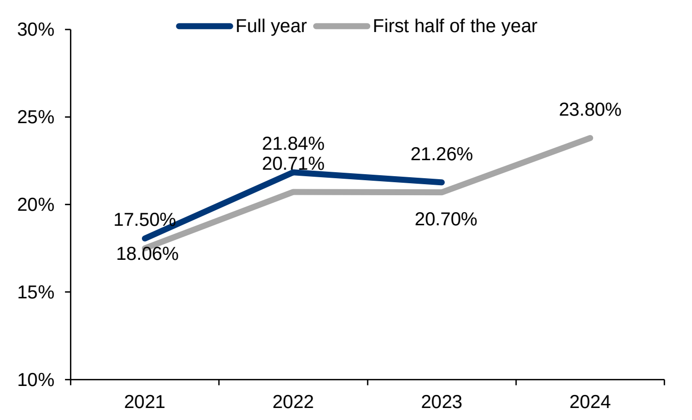
Fig.22: Mobile shooting games: revenue by region (2024)



Source: diandian.com, Huatai Research

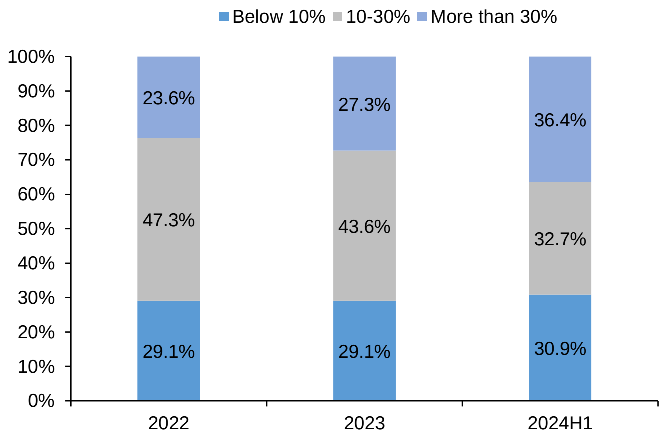
"Match-3 + business simulation" games benefit from relatively low user acquisition costs, and the integration of this hybrid gameplay into other genres is becoming a prevailing trend. According to CNG's 2024 China Mobile Game Advertising & Marketing Report, the average sales expense ratio among listed Chinese game companies rose to 23.8% in 1H24, with an increasing share of companies reporting a sales expense ratio exceeding 30%, underscoring rising customer acquisition costs and intensifying competition over paid user acquisition. Against this backdrop, match-3 casual games, featuring relatively low user acquisition costs, are gaining favor. According to Liftoff, casual games show relatively low cost per install (CPI) across both Android and iOS platforms. From a gameplay perspective, match-3 is a preferred foundation for genre blending. Compared with SLG or RPG formats, match-3 offers simpler rules and a lower entry barrier, enabling players to quickly obtain satisfying gameplay experiences. In "match-3 + business simulation" titles, the match-3 component serves as a core resource-generation system that supplies building materials and in-game currency for business simulation scenarios, delivering more innovative experiences and broader audience appeal than traditional simulation games.

Fig.23: Major listed game companies in China: average sales expense ratio



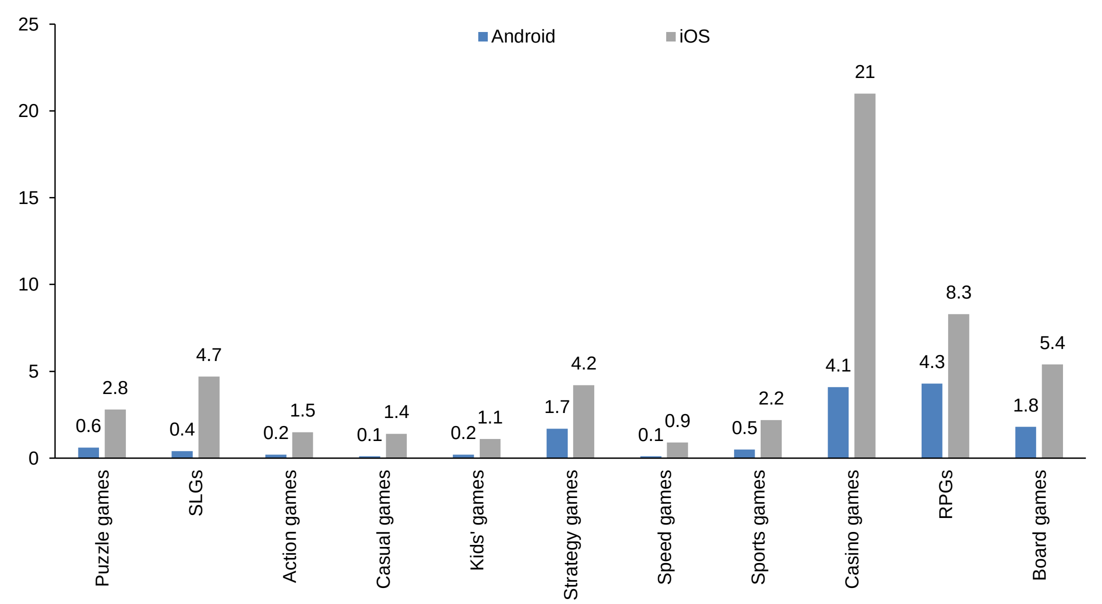
Source: CNG, Huatai Research

Fig.24: Major listed game companies in China: average sales expense ratio



Source: CNG, Huatai Research

Fig.25: Average CPI on Android and iOS platforms (1H25)



Source: Liftoff, Huatai Research

Mobile SLG 3.0: SLG+X genres unlock growth potential

The evolution of the SLG market can be divided into three eras, each representing a paradigm shift in **product designs, user targeting and monetization models**.

From the 1.0 era defined by hardcore gameplay as the primary entry point, to the 2.0 era centered on thematic and narrative content as the gateway, and now to the 3.0 era characterized by broadly accessible entry points, SLG evolution reflects efforts to lower user barriers to entry, expand the total target audience base, and align these shifts with increasingly efficient monetization models.

The 1.0 era (prior to 2017): the establishment and business model validation of the core SLG paradigm. This stage was led by titles such as *COK*. This title's milestone was adapting the classic 4X gameplay loop (explore, expand, exploit, and exterminate) to the mobile platform. In this stage, games were characterized by pure, uncompromising design and targeted hardcore strategy players willing to tolerate high cognitive load. Monetization models were relatively basic, primarily centered on accelerating in-game progression (eg, time/resources). Initial progression did not involve massive spending. Later, the game introduced conflicts among players to stimulate their spending appetite. Heavy spenders could gain support from a large number of medium and light spenders, which in turn boosted their spending willingness. *COK* was launched by Elex in July 2014. In its early days, the company launched the game on Google Play where competition was milder and rapidly gained visibility through large-scale paid user acquisition campaigns.

Fig.26: *COK*: core strategies

Core	Key points
Product	Leveraging a classic IP: The game shares the same name as the second season of the popular American TV series A Song of Ice and Fire, and its art style draws inspiration from Mount & Blade, precisely attracting core strategy gamers in Europe and the United States.
Marketing	Aggressive marketing strategy: Adopt large-scale, high-investment global brand marketing, such as inviting celebrities for endorsements, producing high-quality CG advertisements, and placing them during top traffic events like the Super Bowl.
Strategy	Differentiated market entry: Initially avoid the fiercely competitive iOS market dominated by competitors and focus on the Google Play channel; after successful validation in overseas markets, return to the domestic market using an "export-to-domestic sales" strategy.
Operations	Global server and localization: The pioneering adoption of the "global server" model has promoted social interaction and conflicts among players from different countries, while emphasizing refined local operations in various regions, thus maintaining long-term vitality.

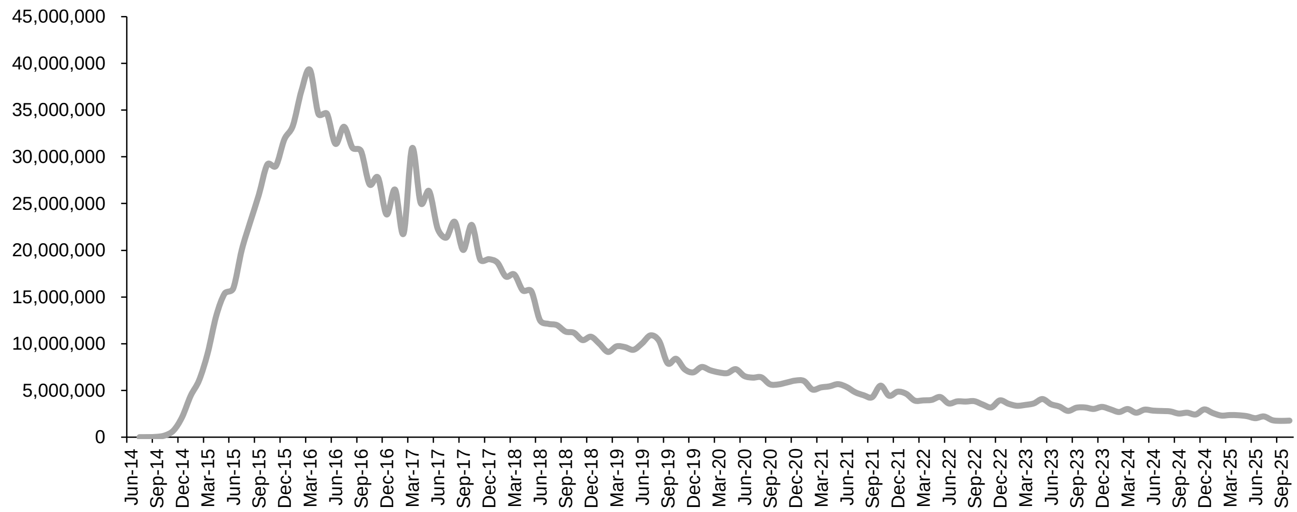
Source: Elex's announcement, Huatai Research

Fig.27: *COK*'s poster

Source: Elex's announcement, Huatai Research

According to Sensor Tower, *COK* reached its peak monthly revenue of USD39.31mn after 21 months, recording a monthly compound growth rate of 160% over this period. However, 1.0-era SLGs were limited to a core base of hardcore strategy players. According to youxituoluo.com, user acquisition costs surged in the late 1.0 era, rising more than fivefold over 2014 to 2019. With scaling paid user acquisition becoming more challenging and user base approaching saturation, *COK*'s upward cycle ended quickly. After 21 months of launch, this title's gross billing continued to decline amid the rollout of other SLG competitors.

Fig.28: *COK*: monthly gross billing (USD)



Source: SenseTower, Huatai Research

The 2.0 era (2018-2022): theme-driven genre mixing and user base expansion. To address the user base cap, game developers kicked off a core strategy centered on "theme + X" integration in the 2.0 era. New titles such as *Rise of Kingdoms* introduced more broadly appealing themes (such as world civilizations and post-apocalyptic zombies) and integrated secondary mechanics (such as RPG-style hero progression systems). This move lowered the psychological barrier to entry and enabled SLGs to gain strong visibility for the first time. For example, *Rise of Kingdoms* features innovations such as free troop movement, which can enrich strategic depth and improve real-time gameplay feedback. On the monetization front, the introduction of gacha-based hero acquisition and deep character progression systems substantially increase user spending depth and lifetime value (LTV), pushing top-tier titles to new revenue highs.

Fig.29: *Rise of Kingdoms*: core strategies

Core	Key points
Product	Integration and breakthrough of "theme + X": Centered around the popular "zombie apocalypse" theme, it deeply integrates an RPG-style hero development system, significantly lowering the understanding threshold of traditional SLG games and attracting a broader user base.
Marketing	Exploration of "secondary gameplay" for user acquisition: As a marketing approach, lightweight casual gameplay such as tower defense and puzzle-solving has begun to be widely used as advertising material to attract casual users outside the core user base.
Strategy	Validation in the globalized market: By adhering to a global simultaneous release strategy, the successful combination of the "genre integration" and "in-depth monetization" model has been extensively validated in major global markets such as Europe, the United States, and Japan.
Operations	Gacha and in-depth cultivation: The successful introduction of the RPG hero (commander) acquisition (Gacha) and in-depth cultivation system has significantly extended the user lifecycle and propelled the product's payment depth (LTV) to new heights.

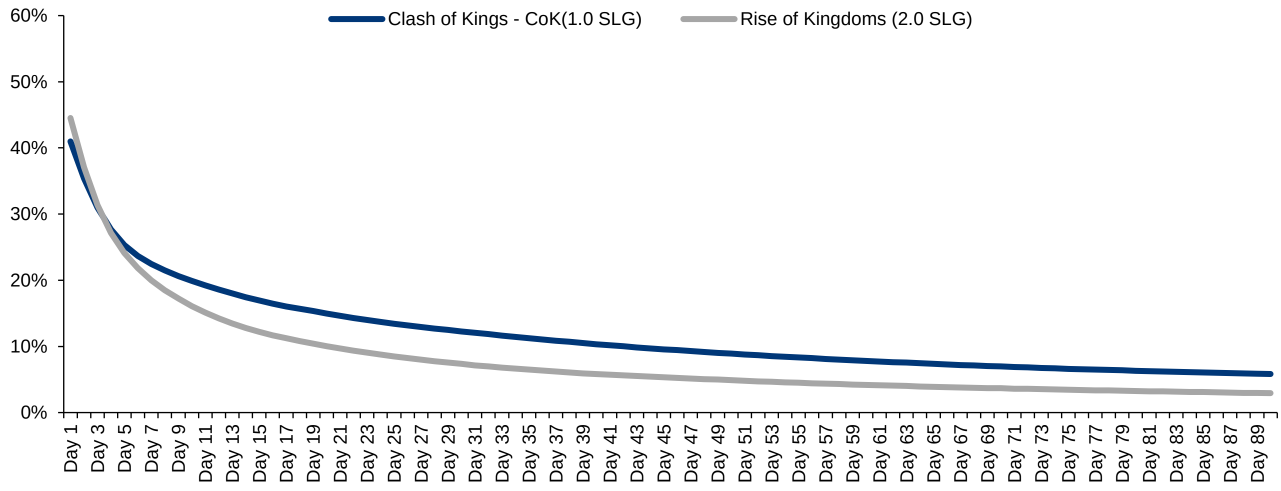
Source: Lilith Games' announcement, Huatai Research

Fig.30: *Rise of Kingdoms*: poster

Source: Lilith Games' announcement, Huatai Research

However, in many 2.0-era games, the integration between core SLG mechanics and secondary gameplay elements remained weak. Players often had to endure lengthy stretches of gameplay unrelated to these added features before accessing them, leading to a sense of misrepresentation and ultimately lower retention compared to the 1.0 era. In the late 2.0 era, user acquisition costs continued to climb while retention rates stayed depressed, causing key metrics (including active user base and monthly revenue) to plateau across the genre.

Fig.31: 90-day user retention rates for *COK* and *Rise of Kingdoms*



Source: Sense Tower, Huatai Research

The 3.0 era (2023 to present): a structural transformation driven by the front-loading of casual gameplay mechanics. While the 2.0 era diversified user bases by incorporating thematic elements, it still fundamentally prioritized core SLG strategy gameplay, keeping its appeal largely confined to dedicated strategy enthusiasts—and eventually encountered bottlenecks similar to those of the 1.0 era. The hallmark of the 3.0 era is the maturation of a “secondary-mechanics-driven” model: by embedding super-casual or simulation-style lightweight gameplay at the very front end of the experience, developers have fundamentally restructured the user acquisition funnel. This means that not only are casual mechanics featured prominently in marketing creatives, but players can also immediately engage with the exact gameplay showcased in ads upon entering the game—eliminating the sense of bait-and-switch that often led to rapid uninstalls in earlier eras and thereby significantly improving retention compared to the 2.0 period. The widespread adoption of these lightweight mechanics enables ad creatives to efficiently reach and convert vast pools of casual users at very low cost; further enhanced by AI-driven technologies, a limited set of creative assets can be endlessly personalized and scaled to resonate with users of diverse interests, substantially reducing cost per install (CPI). At its core, this approach has transformed SLG from a traditionally hardcore genre into a hybrid product featuring a low-barrier casual entry point and highly efficient monetization architecture.

For instance, *Whiteout Survival* attracts users through various video and pre-roll advertisements promoting casual, lightweight gameplay. After downloading, users encounter a monetization structure that segments pricing between high-frequency, low-value purchases (typically seen in casual games) and deep, high-value spending (commonly seen in traditional SLGs), thereby extracting value across all user tiers.

Fig.32: *Whiteout Survival*: core strategies

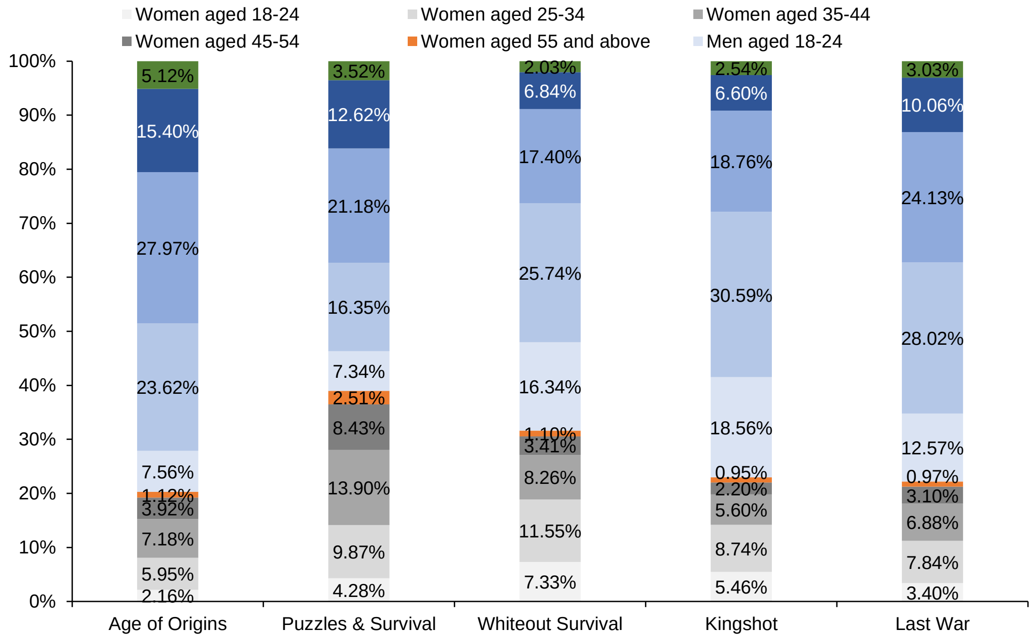
Core	Key points
Product	Beginner experience with ultimate lightweight design: Survival simulation gameplay centered around the "Melting Pot" serves as the initial experience, rather than a simple integration.
Marketing	The "brainwashing" gameplay attracts significant attention: The advertising materials (such as "aiding refugees in the snow") are fully aligned with the initial gameplay, achieving efficient conversion of "what you see is what you get."
Strategy	Category disruption centered on efficiency: Capture the broadest market through ultimate commercialization efficiency, pushing the revenue ceiling of the category to new heights.
Operation	Hybrid monetization model: The front end, featuring "simulation management" and "casual games," corresponds to "high-frequency, small-amount" payments, while the back end, featuring "SLG national warfare," corresponds to "in-depth, large-amount" payments.

Source: The game's official Weixin account, Huatai Research

The SLG market continues to grow steadily, with significant potential remaining in emerging markets. Globally, the SLG genre remains popular and is generating rising revenue. According to diandian.com, China mobile SLGs' App Store revenue jumped to RMB5.73bn in 2H24; although it dipped to RMB4.72bn in 1H25, it remained notably higher than historical data. Globally, mobile SLGs' Apple Store revenue grew by 7.17% YoY to RMB38.37bn in 1H25, with the US, Japan and South Korea collectively accounting for 58%, underscoring the enduring dominance of these traditional mobile game powerhouses.

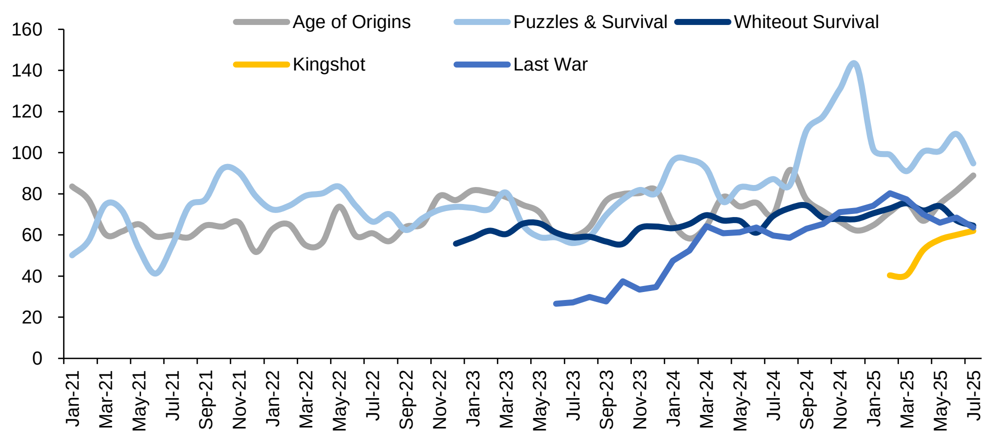
The user profile for SLG+X games skews male, affluent, and time-rich. Male users account for the majority, primarily aged 25-35. Since core SLG users consist mainly of heavy spenders, the demographic comprises primarily high-paid mature males. The integration of casual gameplay in SLG+X titles renders the user base younger and relatively more female-oriented compared with traditional SLGs. However, given the inherently heavy nature of SLG gameplay, overall daily usage time remains above 40 minutes even with casual elements added. During 2022-2023, hardcore SLGs with relatively limited casual components such as *Age of Origins: Tower Defense* exhibited a significantly higher share of male users, with males aged 35-44 accounting for the majority. Hybrid titles such as *Puzzles & Survival* attracted a notably higher proportion of female players with its match-3 mechanics. Other SLG+X titles including *Whiteout Survival*, *Kingshot*, and *Last War* still relied on male users but attracted a larger proportion of young players compared with hardcore SLGs. Male players aged 25-34 made up a higher share, primarily because younger users felt more comfortable about fragmented playing sessions and SLG+X gameplay aligned closer with their needs.

Fig.33: The proportion of users of different ages and genders in SLG+X games from 2022 to 2023



Source: MeetGames, Huatai Research

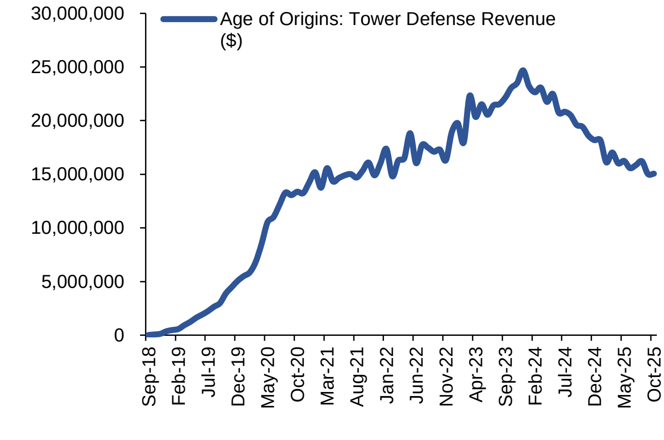
Fig.34: Time spent on SLG+X titles per day (minutes)



Source: Bloomberg, Wind, company announcements, Huatai Research

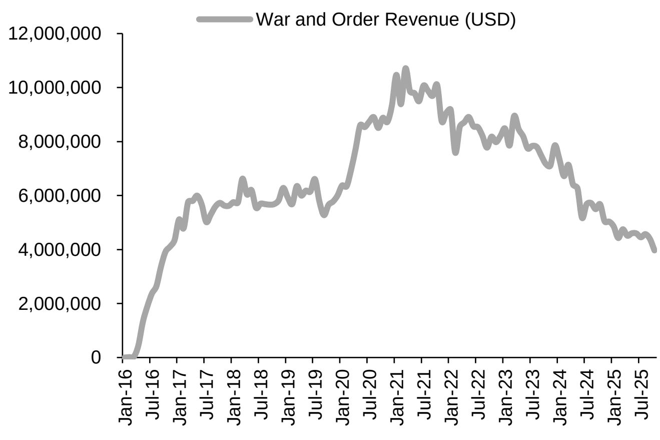
SLG titles, featuring extended lifecycles, are capable of generating a steady stream of gross billings. Third-generation SLGs have substantially increased their market share. The core strategy is attracting more casual gamers and mass-market players through advertisements on proven casual genres such as "SLG + business simulation". Business simulation games boast a user base far larger than that of first-/second-generation SLGs, and their lighter, more casual design substantially enhances user experience and shortens the product's ramp-up phase. The key to success for third-generation SLGs lies in post-acquisition conversion: after using casual genres such as business simulation to draw in a wide user pool, developers need to effectively convert a meaningful portion of these users into paying players to reduce reliance on paid user acquisition. If retention remains weak, the game becomes dependent on continued paid user acquisition to sustain gross billings. Consequently, any decline in user acquisition spending would dent its monetization performance.

Fig.35: *Age of Origins*: monthly gross billing (USD)



Source: Bloomberg, Wind, company announcements, Huatai Research

Fig.36: *War and Order*: monthly gross billing (USD)



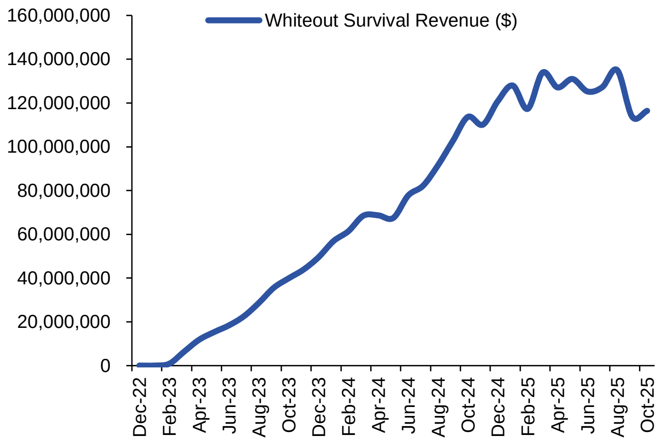
Source: Bloomberg, Wind, company announcements, Huatai Research

Leading SLG 3.0 titles: *Whiteout Survival* and *Kingshot*

Whiteout Survival was launched in February 2023. According to Sensor Tower, its monthly revenue across iOS and Google Play platforms reached USD116,426k in October 2025 has remained broadly stable since November 2025. According to Sensor Tower, *Whiteout Survival*'s iOS platform gross billing was USD28,536k in October 2025.

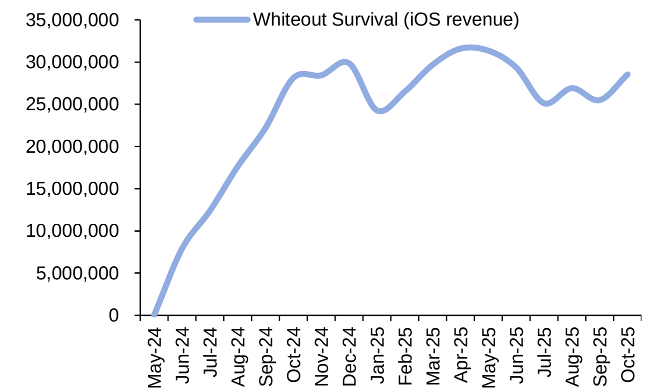
Kingshot was Launched in February 2025. Its revenue has maintained rapid growth since launch. According to Sensor Tower, *Kingshot*'s iOS and Google Play gross billings totaled USD41.55mn in June 2025.

Fig.37: *Whiteout Survival*'s revenue (USD) on both iOS and Google Play platforms



Source: Bloomberg, Wind, company announcements, Huatai Research

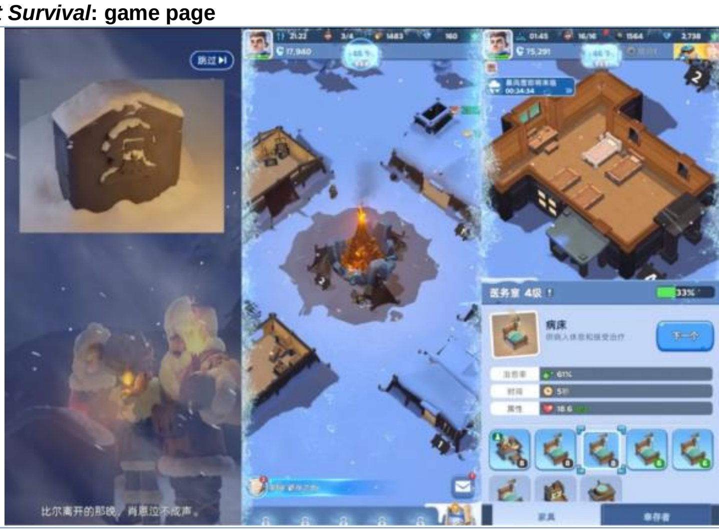
Fig.38: *Whiteout Survival*: iOS platform revenue (USD10k)



Source: Bloomberg, Wind, company announcements, Huatai Research

Whiteout Survival's casual gameplay makes it a new winner in the SLG genre. This title has altered the competitive landscape. Innovative mechanics: Integrating business simulation, RPG, and SLG mechanics, this title wraps core SLG gameplay in a casual game shell, which has effectively expanded the traditional SLG user base and attracted a significantly higher proportion of female players. Its user acquisition strategy proves effective: Starting in June 2023, the game operator ramped up marketing spending. *Whiteout Survival*'s distinctive art style and theme supported a differentiated advertising strategy, which enabled it to quickly climb from outside the top 100 to the top 30 on the US iOS free app chart. Notably, even after reducing total ad placement later on, it maintained stable rankings on the free app chart while steadily climbing on the best-selling app chart. According to Sensor Tower, as of June 2025, *Whiteout Survival* had surpassed 155mn in cumulative downloads on the iOS platform, with the US/China/Japan ranking as the top three markets by download share at 18.93/7.71/4.86%.

Fig.39: *Whiteout Survival*: game page



Source: *Whiteout Survival*, Huatai Research

In March 2025, *Whiteout Survival* topped the global mobile game revenue chart. According to Sensor Tower, fueled by its second-anniversary event "Dawn Feast" (which integrated food-themed gameplay, festive competitions, and exclusive rewards) and the launch of the updated alliance feature "Alliance Triumph", Whiteout Survival posted a record-high monthly revenue, surpassing leading titles such as *Royal Match* and *Honor of Kings* to claim the first spot globally for the first time. It held steady at no. 2 in May 2025 and climbed back to no. 1 in June, maintaining a leading position on the global revenue ranking. In 2024, *Whiteout Survival* was among the four mobile games (alongside *DNF Mobile*, *Last War*, and *Brawl Stars*) to surpass USD1bn in annual IAP revenue for the first time.

Fig.40: Apps to reach USD1bn in annual global IAP revenue for the first time

Source: data.ai, Huatai Research

Meanwhile, Kingshot has carved out a new growth path for the SLG genre by blending idle mechanics with tower defense. Since its launch in late February 2025, Kingshot has delivered stellar performance in the global mobile game market. Set in a medieval world thrown into chaos by rebellion and war, players assume the role of a lord tasked with leading survivors to rebuild towns, fend off invasions, manage manpower, enact laws, compete for resources, recruit heroes, form alliances, and engage in PvP battles. For instance, players need to assign survivors to specific roles, such as workers gathering resources, hunters procuring food, and cooks preparing meals, while monitoring their health and happiness to maintain productivity; when facing attacks from rebels or beasts, they collect resources to upgrade defenses and directly control heroes in real-time during special raid events.

Fig.41: *Kingshot*: game page

Source: *Kingshot*, Huatai Research

***Kingshot* has demonstrated strong revenue growth and recorded outstanding rankings across multiple regional charts.** In April 2025, it entered the global top 5 fastest-growing mobile games by revenue. Meanwhile, it debuted at no. 14 on China's mobile game overseas revenue chart and secured second place on the overseas growth leaderboard. In May 2025, its revenue doubled MoM, propelling it to no. 5 on China's mobile game overseas revenue ranking and earning it the top spot on the global overseas revenue growth chart. It climbed further to no. 2 on China's mobile game overseas revenue chart in September 2025 and reached no. 8 on global mobile game overseas revenue chart in October 2025. On the iOS best-selling game chart, its ranking has steadily risen. As of 10 November 2025, it had reached no. 7 on the US iOS best-selling game chart. In addition, it consistently ranked among the top 5 on the iOS free game charts across 11 global regions while ranking among the top 3 on the iOS best-selling game charts across 11 markets.

Once game companies successfully acquire users, their strategic focus shifts to "in-depth" efforts driven by user data and long-term operations. Data-informed monetization stems from methodologies refined by Chinese developers over decades of rapid internet evolution in China. By embedding extensive tracking points to collect massive user behavior data, companies conduct granular user segmentation and profiling to precisely identify individual players' willingness to pay, gameplay preferences, and churn risks. Leveraging these insights, they effectively convert the broad casual gamer base attracted by hybrid gameplay into core SLG players and sustain their long-term engagement and spending. Through frequent A/B testing, SLG studios continue to optimize monetization touchpoints, event content, and reward structures to maximize user lifetime value. Operation teams meticulously plan update roadmaps and event calendars spanning several months or even a year, rolling out new heroes, seasons, cross-server battles, and other content in a well-paced manner. These moves keep providing players with fresh goals and effectively extend game lifecycle, thus generating stable, substantial gross billings.

Core competitiveness: a vast talent pool & innovative gameplay

We believe the relative advantages of Chinese game developers in overseas markets are more visible in the following four fields. 1) Costs: Leveraging significant labor cost advantages, AI-powered user acquisition innovations, and highly-efficient ad placement frameworks, Chinese game developers build competitive moats in a global market where customer acquisition costs are hefty. 2) R&D: Chinese game developers draw on deep talent pools to invest in high-quality production and gameplay mix innovations that shape product competitiveness. 3) Operations: Chinese game developers deepen localization through overseas studio setups, multi-language support, and region-specific content customization, while reinforcing brand recognition via omni-channel marketing. 4) Commercialization: Chinese game developers adopt diversified monetization models to boost conversion efficiency, with version updates and gameplay enhancements ensuring long-term user retention.

Fig.42: Chinese game companies going global: relative advantages

Comparison dimension	Advantages	Overseas situation
Labor costs and user acquisition efficiency	Significantly lower labor costs A high-quality team of over 100 members supports large-scale parallel development. AI-generated materials enhance the efficiency of user acquisition	High labor costs Customer acquisition costs rank among the highest globally The efficiency of buying traffic material production and placement is relatively low.
Refined R&D and gameplay innovation	Long-term R&D strategy with substantial and sustained investment A mature R&D talent reserve system with profound accumulation by leading manufacturers Strong capability in category integration and innovation, opening up niche segments	Relying on the remake of classic IPs or nostalgia-driven reproductions to maintain popularity There have been few breakthrough innovations in core gameplay mechanics. Small and medium-sized manufacturers lack the capability for refined product development
Efficient commercialization and long-term retention	Diversified payment design with naturally integrated payment points The top products have demonstrated strong revenue performance. Outstanding long-term operational capabilities	Casual games mostly rely on "intensive advertising" Small and medium-sized manufacturers exhibit weaker long-term user retention and revenue stability.
Localization adaptation and omni-channel marketing	In-depth cross-cultural adaptation Omni-channel blanket marketing High-frequency interactive operations on social platforms	Localization is simplified as text translation. "One-size-fits-all" issuance model

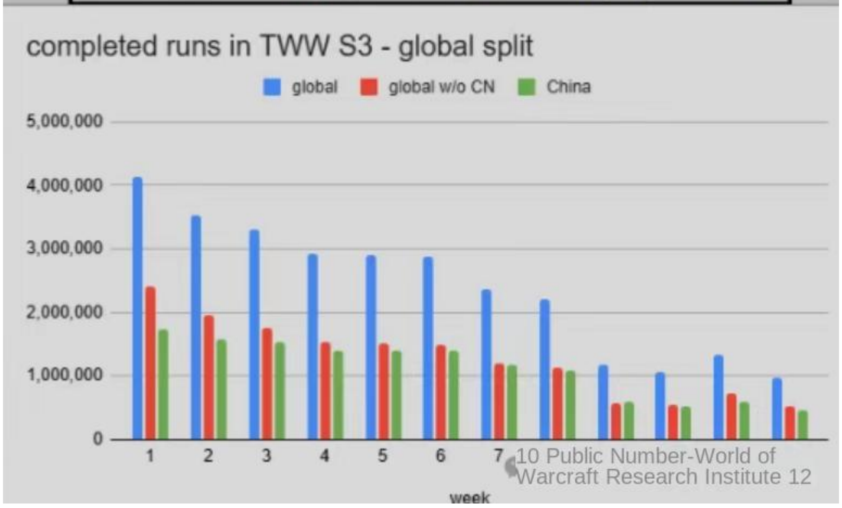
Source: Huatai Research

Advantages in labor costs and user acquisition efficiency: According to GDC's 2025 Game Industry Salary Survey and Liepin Big Data Research Institute's 2024 Game Industry Talent Supply-Demand Report, the average annual salary for game professionals in China is RMB 220,800, only about 20% of the USD142,000 earned by their US counterparts. Top-tier Chinese mobile game teams typically have 100 members, enabling large-scale parallel development and delivering per-capita output far surpassing international peers. Moreover, compared with the world's highest user acquisition costs in the US, Chinese studios demonstrate clear advantages in advertising cost management. For example, most video creatives for Sanqi Interactive's overseas titles are AI-generated, and this move enables higher advertising placement efficiency. In addition, the company has pioneered a new model of "casual secondary gameplay for user acquisition + core SLG gameplay for conversion", which effectively filters and converts high-value users with markedly higher efficiency compared with overseas competitors.

High-quality content R&D and gameplay innovations: After more than two decades of development, China has built a mature game R&D talent pipeline. Leading companies are dedicated to long-term R&D strategies. NetEase, for instance, has been developing RPGs for more than 20 years. Its mobile title Sword of Justice redefined the technical and commercial benchmarks of the MMORPG genre. In mature markets, Chinese developers have also demonstrated exceptional capabilities in genre blending and content innovations. For instance, NetEase's *Naraka: Bladepoint* combines martial arts with battle mechanics; Ultrapower Software's *Age of Origins* integrates shooting and tower defense elements into the SLG base; and Habby's *Archero* blends super-casual and roguelike gameplay. By lowering entry barriers and expanding use groups, these titles have carved out new blue-ocean opportunities in niche segments.

Fig.43: Total number of global Mythic Keystone dungeon completions in the third season of *World of Warcraft*'s Mythic Keystone dungeons

week	global	global w/o CN	China	CN global %
1	4,128,948	2,397,569	1,731,379	41.93
2	3,530,094	1,960,735	1,569,359	44.46
3	3,303,270	1,765,599	1,537,671	46.55
4	2,924,317	1,522,405	1,401,912	47.94
5	2,904,445	1,508,213	1,396,232	48.07
6	2,885,115	1,492,554	1,392,561	48.27
7	2,364,839	1,195,180	1,169,659	49.46
8	2,203,041	1,120,035	1,083,006	49.16
9	1,182,190	580,001	602,189	50.94
	1,069,554	545,013	524,541	49.04
	1,322,497	733,543	588,954	44.53
	974,725	524,697	450,028	46.17



Source: World of Warcraft Research Institute, Huatai Research

Localization and omni-channel marketing: Some western publishers view localization simply as text translation, neglecting cultural symbol adaptation and emotional resonance. Chinese studios achieve authentic market fit by establishing or acquiring overseas studios (such as Tencent's North American and European studios), offering multi-language versions, hiring native voice actors (as miHoYo does), and tailoring region-specific content (eg, NetEase's *Harry Potter: Magic Awakened*), demonstrating well-established cross-cultural transcreation practices. Moreover, Chinese game companies launch broad-based marketing campaigns across online and offline channels, including social media ads, digital events, subway billboards, and truck tours (eg, miHoYo's *Genshin Impact*). Meanwhile, they build loyal user communities through high-frequency engagement on social platforms (eg, Microfun's *Gossip Harbor* and *Seaside Escape*) to enhance emotional resonance and brand recognition among users. Chinese game companies' global operational and omni-channel marketing significantly outperforms some overseas peers' one-size-fits-all publishing models and underpin stable gross billings.

Efficient commercialization and long-term user retention: Chinese developers employ diversified strategies to enhance payment conversion. For instance, Microfun integrates energy limits and board-management mechanics into its merge games, naturally embedding monetization touchpoints while avoiding the intrusive ad placement that is common in many overseas casual titles. Leading titles have maintained strong gross billing growth. For instance, Century Games' *Whiteout Survival* ranked first on the evergreen outbound game chart in 9M25. Furthermore, Chinese studios demonstrate strong user retention capabilities. While some small-/medium-sized overseas studios often end operations within 1-2 years after launch due to sluggish content updates, titles such as Tencent's *PUBG MOBILE*, NetEase's *Knives Out* and *Onmyoji*, and Ultrapower Software's *Age of Origins* and *War and Order* have sustained robust gross billings and exhibited extended lifecycles over a long term. Capitalizing on diversified strategies such as version updates and gameplay upgrades, Chinese game companies effectively maintain user engagement and ensure the enduring vitality of their products.

Addressing challenges in overseas expansion

Tighter global regulations have compelled Chinese game developers to build native compliance systems. Facing intensive regulation rollouts including the EU's GDPR, the US's COPPA, and various regional data sovereignty laws, Chinese studios have moved beyond their earlier era of aggressive expansion and now operate compliance mid-platforms that span the entire chain from R&D to operations. This strategy not only mitigates the risk of massive fines incurred by improper use of data but also establishes legal legitimacy in high-scrutiny markets such as Vietnam and India, effectively transforming previous compliance-related costs into an invisible moat that builds global user trust.

Fig.44: Table of Global Game Import Regulatory Policies and Chinese Manufacturers' Response Strategies

Region	Core regulations	Chinese game companies' solutions
Vietnam	Decree No. 72/2013/ND-CP on the Management of Internet Services	Moonton's *MLBB*: Established a wholly-owned subsidiary and local servers, integrated Viettel/MoMo payment methods, and compressed the game package to 150MB to adapt to network speeds.
South Korea	"Game Industry Promotion Law" and Rating System	4399/RoamerPlan: Designate local agents and modify sensitive icons; rectify the card-drawing mechanism due to violations, remove random paid items and switch to direct purchase mode.
Japan	Payment Services Act and Game Content Grading Standards	Yotta Games: After making up the unpaid taxes, it switched to the platform withholding tax payment model, obtained CERO ratings, and ensured that the value of items obtained from loot boxes is not lower than the purchase price.
India	Digital Personal Data Protection Act (DPDP Act)	Shein: Established a joint venture with Reliance Group (with Reliance Group holding a 51% stake), implemented local data storage, and blocked real-money gambling content for specific regions.
European Union	General Data Protection Regulation (GDPR)	Tencent's *PUBG Mobile*: It has established data centers in Europe, adopted the seven-layer "data onion" encryption technology, and removed content suspected of discrimination.
United States	Children's Online Privacy Protection Act (COPPA)	MiHoYo's *Genshin Impact*: Implements strict age verification (parental consent required for those under 16), clearly displays multi-tier gacha probabilities, and adds direct purchase options.
Australia	"Classification Regulation" and "Interactive Gaming Policy"	NetEase's *Sword of Justice*: Proactively modified character exposure and bloody effects, applied for an M rating (15+) for elements related to "simulated gambling" and set age warnings.

Source: Regional regulations, Huatai Research

Structurally rising advertising costs have forced Chinese companies to reshape their cost control and user acquisition frameworks. Facing Apple's updated IDFA privacy policy and the rollout of privacy sandboxes across major global advertising platforms, previous low-cost player acquisition channels based on accurate user profiles have diminished, with CPI jumping rapidly in mature market such as the US, Japan and South Korea. To address this challenge, leading developers have innovatively adopted hybrid SLG+X gameplay models, integrating widely accessible casual mechanics such as match-3 or tower defense to significantly lower entry barriers and reduce the traditionally high CPI associated with hardcore games. Therefore, they have maximized monetization potential via lightweight advertising. To reduce reliance on paid ads, Chinese companies shift their strategic focus towards organic user growth and social virality. By shaping engaging community interactions and incentivized sharing mechanisms that turn existing users into free distribution channels, they enable ROI optimization and precision targeting even under a tight cost budget.

Regarding cultural barriers, sophisticated cross-cultural transcreation strategies have substantially lowered cognitive friction for overseas players and expanded global addressable audiences. To overcome previous failures caused by cultural disconnect, developers now embed a global perspective at the concept stage, wrapping narratives around universal emotional themes (such as heroism and family values) to make content more relatable. This shift from pure text translation to alignment with global aesthetic sensibilities and shared values allows China-made games to transcend specific cultural boundaries. A prime example is the track "Yun Gong Xun Yin" from *Black Myth: Wukong*, which blends traditional Chinese musical elements with western heavy metal and electronic instrumentation to create a distinctive "Chinese chic" that resonates with global users.

Chinese game companies going global: competitive landscape

Tencent, miHoYo and NetEase's evergreen titles have maintained leading revenue. According to tfcaijing.com, Tencent's *PUBG MOBILE* generated an estimated overseas revenue (from iOS and Android) of USD98.86mn in 1Q25 and USD110.38mn in 3Q25; miHoYo's *Genshin Impact* earned an estimated overseas revenue (from iOS and Android) of USD98.67mn in 1Q25 and USD67.94mn in 3Q25, both ranking among the top 3 on the 2025 China Evergreen Game Overseas Revenue Chart. NetEase's *Knives Out* has remained among the top 10 on this chart since 2025.

Meanwhile, medium-sized studios are carving out differentiated paths, with their new titles delivering growing gross billings. Avoiding direct competition with giants, medium-sized studios produce distinctive titles under sub-genres. For instance, Microfun's *Gossip Harbor*, a female-oriented narrative-based merging mobile game, topped the China Evergreen Game Overseas Revenue Chart in 3Q25. Century Games' *Whiteout Survival*, which was launched in February 2023, generated an estimated overseas revenue (from iOS and Android) of USD286mn in 1Q25 and USD279mn in 3Q25, both ranking first on the 2025 China Evergreen Game Overseas Revenue Chart. Popular new titles could help developers to gain differentiated competitiveness. Through precise genre positioning and high-frequency content operations, medium-sized game companies achieve breakthroughs in niche segments.

Fig.45: 2025 China High-Potential Evergreen Game Overseas Revenue Chart

1Q25 ranking	Game	Issuer	Overseas launch date	Estimated overseas revenue (from iOS and Android; USD10k)
1	*Whiteout Survival*	Century Games	2023.2	28565.24
2	*Honkai: Star Rail*	miHoYo	2023.4	9794.97
3	*Gossip Harbor: Merge & Story*	Microfun	2022.7	8825.39
4	*Top Heroes*	Rivergame	2024.1	7389.55
5	*Goddess of Victory: Nikke*	Tencent	2022.11	5461.99
6	*Seaside Escape: Merge & Story*	Microfun	2022.11	5136.94
7	*Love and Deepspace*	Paper Games	2024.1	5090.47
8	*Legend of Mushroom*	Joy Net Games	2023.11	3306.6
9	*Go Go Muffin*	XD Inc	2024.1	2323.69
10	*AFK Journey*	Lilith Games	2024.3	2135.96
1H25 ranking	**Game**	**Issuer**	**Overseas launch date**	**Estimated overseas revenue (from iOS and Android; USD10k)**
1	*Whiteout Survival*	Century Games	2023.2	55397.35
2	*Honkai: Star Rail*	miHoYo	2023.4	22436.54
3	*Gossip Harbor: Merge & Story*	Microfun	2022.7	20011.91
4	*Top Heroes*	Rivergame	2024.1	16837.52
5	*Wuthering Waves*	Kuro Games	2024.5	11497.55
6	*Goddess of Victory: Nikke*	Tencent	2022.11	10766.16
7	*Love and Deepspace*	Paper Games	2024.1	10219.49
8	*Seaside Escape: Merge & Story*	Microfun	2022.11	9896.34
9	*Legend of Mushroom*	Joy Net Games	2023.11	6386.47
10	*AFK Journey*	Lilith Games	2024.3	3657.66
3Q25 ranking	**Game**	**Issuer**	**Overseas launch date**	**Estimated overseas revenue (from iOS and Android; USD10k)**
1	*Whiteout Survival*	Century Games	2023.2	27927.08
2	*Honkai: Star Rail*	miHoYo	2023.4	13310.42
3	*Top Heroes*	Rivergame	2024.1	8947.73
4	*Dark War: Survival*	Florere Game	2024.9	7186.55
5	*Goddess of Victory: Nikke*	Tencent	2022.11	7100.86
6	*Love and Deepspace*	Paper Games	2024.1	5159.36
7	*Seaside Escape®: Merge & Story*	Microfun	2022.11	4555.79
8	*Zenless Zone Zero*	miHoYo	2024.7	4319.09
9	*Wuthering Waves*	Kuro Games	2024.5	4066.64
10	*Persona: The Phantom X*	Perfect World	2024.4	2635.53

Source: tfcaijing.com, Huatai Research

Fig.46: 2025 China Evergreen Game Overseas Revenue Chart (top 10 titles)

1Q25 ranking	Game	Issuer	Overseas launch date	Estimated overseas revenue (from iOS and Android; USD10k)
1	*PUBG MOBILE*	Tencent	2018.3	9885.61
2	*Genshin Impact*	miHoYo	2020.9	9867.47
3	*Mobile Legends: Bang Bang*	Moonton	2016.11	6393.22
4	*Age of Origins*	Camel Games	2018.1	5816.06
5	*Puzzles & Survival*	Sanqi Interactive	2020.8	4635.11
6	*Rise of Kingdoms*	Lilith Games	2018.9	4465.6
7	*Blue Archive*	Yostar	2021.2	3853.02
8	*Lords Mobile: Kingdom Wars*	IGG	2016.3	3363.19
9	*Knives Out*	NetEase	2017.11	3212.69
10	*Project Makeover*	Magic Tavern	2020.11	2961.55
1H25 ranking	**Game**	**Issuer**	**Overseas launch date**	**Estimated overseas revenue (from iOS and Android; USD10k)**
1	*PUBG MOBILE*	Tencent	2018.3	20969.17
2	*Genshin Impact*	miHoYo	2020.9	17581.1
3	*Age of Origins*	Camel Games	2018.1	12029.76
4	*Mobile Legends: Bang Bang*	Moonton	2016.11	11488.8
5	*Puzzles & Survival*	Sanqi Interactive	2020.8	10352.92
6	*Knives Out*	NetEase	2017.11	8047.92
7	*Rise of Kingdoms*	Lilith Games	2018.9	7327.16
8	*Project Makeover*	Magic Tavern	2020.11	6418.92
9	*Blue Archive*	Yostar	2021.2	6222.41
10	*Lords Mobile*	IGG	2016.3	6097.52
3Q25 ranking	**Game**	**Issuer**	**Overseas launch date**	**Estimated overseas revenue (from iOS and Android; USD10k)**
1	*Gossip Harbor: Merge & Story*	Microfun	2022.7	14091.03
2	*PUBG MOBILE*	Tencent	2018.3	11037.57
3	*Genshin Impact*	miHoYo	2020.9	6793.78
4	*Age of Origins*	Camel Games	2018.1	5959.24
5	*Puzzles & Survival*	Sanqi Interactive	2020.8	5389.46
6	*Mobile Legends: Bang Bang*	Moonton	2016.11	4728.79
7	*Rise of Kingdoms*	Lilith Games	2018.9	4490.81
8	*Knives Out*	NetEase	2017.11	3806.42
9	*Blue Archive*	Yostar	2021.2	3579.28
10	*Project Makeover*	Magic Tavern	2020.11	3381.56

Source: tfcaijing.com, Huatai Research

Leading Chinese studios: building a broad network for global operations

Century Games: ranking among the top tier in overseas expansion. Century Games, a subsidiary of Century Huatong, focuses on broad-based casual games and innovative SLGs. By building a diversified, multi-genre product portfolio that delivers both solid competitiveness and risk resilience, Century Games has moved beyond traditional user boundaries and ranked among leading Chinese game companies that expand overseas. *Whiteout Survival*, a mobile game that blends SLG mechanics with novel elements, has become a phenomenon and consistently ranked among the world's top-grossing mobile games. Century Games introduces a more diversified portfolio and demonstrate ongoing innovations over the SLG genre. For instance, it has rolled out *Kingshot*, which integrates tower defense with core SLG gameplay. Beyond maintaining its lead in SLGs, Century Games has expanded its reach to broader player segments through business simulation and lightweight casual titles, underscoring the stability of its long-term operations.

Tencent adopts a combination of in-house studios and acquisitions to drive its global operations. Tencent establishes or acquires overseas studios to align with local cultures and enhance global operations. This strategy helps it to align closer with local player cultural preferences and needs across different regions, thus underpinning game localization and stable long-term operations.

For instance, Tencent operates multiple local studios in North America and Europe that are dedicated to the localization, operations, and community management of titles such as *PUBG MOBILE*. This localized infrastructure underpins the company's overseas success. According to Sensor Tower, as of 2Q25, *PUBG MOBILE*'s cumulative global revenue had surpassed USD4bn and downloads had exceeded 1.3bn, highlighting Tencent's strong appeal across global markets. By establishing or acquiring overseas studios, Tencent gains real-time insights into local user needs, enabling agile adjustments to gameplay and content. This not only enhances global player interaction and engagement but also effectively implement its globalization strategy.

Fig.47: Overview of some of Tencent's overseas studios

Studio name	Country	Main business
Riot Games	The US	Multiplayer competitive games
Turtle Rock	The US	Multiplayer shooting games
Inflexion	Canada	Survival games
Klei	Canada	Independent games
Lightspeed LA	The US	Open world games
TiMi North America	Canada/the US	Global R&D
Supercell	Finland	Mobile strategy games
Funcom	Norway	Online survival games
Sharkmob	Sweden/the UK	Multiplayer online games
Splash Damage	The UK	Multiplayer shooting games
Tequila Works	Spain	Narrative puzzle-solving games
Yager	Germany	Shooting action games
Grinding Gear	New Zealand	Hardcore ARPGs
Digital Extremes	Canada	Service-based games

Source: CNG, Huatai Research

NetEase has built a premium product portfolio of "flagship RPGs + diversified competitive titles + global IPs". Supported by R&D expertise accumulated over 20+ years centered on RPGs, the company continues to redefine the MMORPG genre's technical and commercial benchmarks through mobile games such as *Sword of Justice*. Meanwhile, *Naraka: Bladepoint* has gained traction on PC and console platforms, with a mix of martial arts and battle mechanics earning NetEase a foothold in the global competitive game market. Based on this, NetEase actively advances cross-genre innovations, exemplified by *Harry Potter: Magic Awakened*, which blends collectible card gameplay, RPG elements, and social features. Through benchmark-level immersive world-building, localized features, and IP ecosystem expansion, NetEase delivers successful adaptation and commercialization of a global IP. Moreover, NetEase expands its audience reach by investing in niche segments, rolling out asymmetrical battle games such as *Identity V* and survival games such as *LifeAfter*. Titles that were launched earlier overseas such as *Onmyoji* and *Knives Out* have maintained robust gross billings and strong user engagement to date, fully demonstrating NetEase's exceptional capabilities in long-term operations and in-depth globalization.

Fig.48: Overview of some of NetEase's overseas studios

Studio name	Country	Main business
Nagoshi Studio	Japan	Console games
Grasshopper Manufacture	Japan	Action games
Sakura Studio	Japan	Console games
GPTRACK50	Japan	Console games
PinCool	Japan	Entertainment content
Jackalyptic Games	The US	PC/console games
Jar of Sparks	The US	Narrative-based action games
T-Minus Zero	The US	Sci-fi action games
Anchor Point	The US/Spain	Action and adventure games
SkyBox Labs	Canada	Joint development
Montreal Studio	Canada	Global R&D
Bad Brain	Canada	Open world games
Quantic Dream	France	Interactive storytelling
Spliced	The UK	Open world games

Source: Company announcements, Huatai Research

miHoYo is deeply engaged in anime-style games, with hefty R&D investment supporting high-quality production. miHoYo represents China's vertically-focused premium content developers. Backed by *Genshin Impact*, it emerges as a global frontrunner. Its globalization strategies mainly include: 1) High-quality content R&D: miHoYo highlights refined game production, which involves long R&D cycles and hefty spending. For instance, *Genshin Impact*'s R&D timelines spanned over three years, with total investment exceeding USD500mn. That said, sophisticated visual and audio effects, fluid combat mechanics, and exquisitely crafted characters have earned *Genshin Impact* and *Honkai: Star Rail* (two flagship titles developed by miHoYo) widespread acclaim from players worldwide. 2) Omni-channel marketing: miHoYo's marketing campaigns cover both online and offline channels. It can quickly increase game exposure through targeted ad placement on social media and collaborations with major platforms. For instance, in Japan, South Korea, North America and Europe, it deployed broad-based marketing channels for *Genshin Impact* including social media ads, online events, subway billboards, and truck tours, which attracted a great number of potential players. In addition, it has tightened emotional ties between the brand and players by partnering with global comic conventions, idol variety shows, and other cultural events. 3) Culture adaptation: Based on in-depth insights into different culture backgrounds, miHoYo offers localized details in its games. In addition, every miHoYo's title supports multiple languages. The company also hires renowned local voice actors to minimize cultural friction and enhance immersive experiences. More critically, miHoYo encourages user-generated content and fan creations, with this interaction-based engagement model building a stronger global user community.

Microfun penetrates female users with casual games. Its overseas expansion focuses on merge games within the casual genre, and this strategy effectively attracts female players. Its flagship titles *Gossip Harbor* and *Seaside Escape* simplify mechanics through merge-two interactions and structure gameplay around a light yet goal-oriented loop of "merging-fulfilling orders-accessing new stories". Monetization is seamlessly integrated via energy limits and board-management systems. Microfun tailors its storytelling to resonate deeply with female players. For instance, *Gossip Harbor* is based on an independent woman's revenge story and drama-style interpersonal conflicts, while *Seaside Escape* offers heartwarming, therapeutic narratives – both leveraging strong emotional resonance to sustain long-term engagement. Meanwhile, Microfun builds a loyal user community through high-frequency interactions on social platforms such as Facebook, enabling players to receive continuous feedback even during repetitive gameplay loops.

Fig.49: *Gossip Harbor*: drama-style conflicts

Source: *Gossip Harbor*, Huatai Research

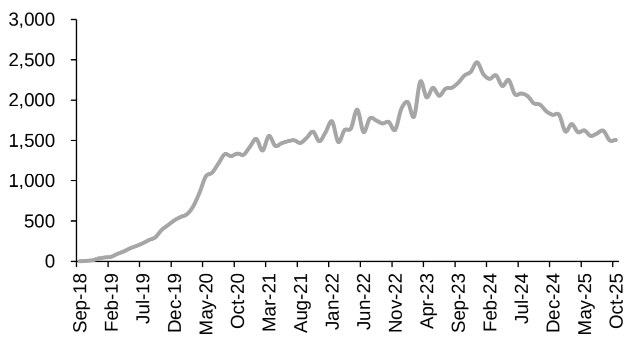
A combination of simplified mechanics, narrative-driven engagement and social community operations shapes Microfun into a global leader in the merge genre. In Sensor Tower's October 2025 mobile game overseas revenue ranking, the company placed two titles among the top 10: *Gossip Harbor* ranked third, trailing only phenomenon-level SLGs *Whiteout Survival* and *Kingshot*, while *Seaside Escape* ranked no. 10, showcasing the sound potential of Chinese developers in the overseas casual game market.

Mid-tier studios: adopt differentiated strategies to gain visibility

Unlike leading game companies that leverage vast resources to compete globally, mid-tier studios, constrained by limited resources, struggle to afford head-on battles in the worldwide arena. Thus, they prioritize product differentiation, cultural adaptation, and gameplay innovation to seek breakthroughs in niche segments. Precise market positioning and novel product designs tailored to specific user groups or niche markets allow them to stand out in global competition.

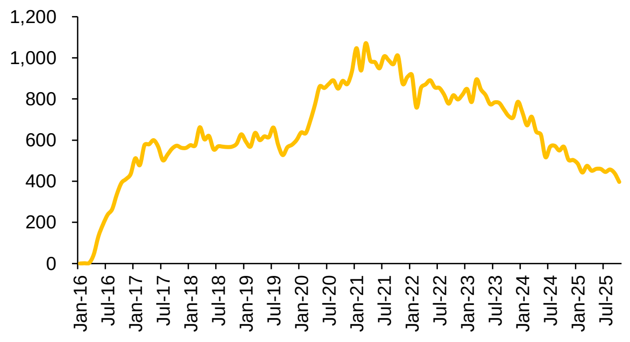
Ultrapower Software is dedicated to refined operations in the SLG genre. As a leading SLG producer, the company has carved out a strong foothold in highly competitive overseas markets through a three-pronged strategy combining genre-specific strengths, refined operations and robust technology support. Its flagship titles, *Age of Origins* and *War and Orde*r, both demonstrate a deep understanding of overseas players' needs and preferences. *War and Order* successfully taps into overseas players' interest in medieval fantasy themes and introduces an innovative sub-second combat mechanic that moves beyond traditional SLG gameplay and enhances player experiences. *Age of Origins* identifies an untapped opportunity in the post-apocalyptic survival theme and combines core SLG systems with shooting elements and tower defense mechanics. Supported by refined operations and innovative gameplay updates, both titles have remained among the top-performing SLGs in overseas markets and recorded a lifecycle of 7+ years. According to Sensor Tower, as of October 2025, *Age of Origins*' monthly average gross billing was USD15mn, while *War and Order*'s monthly average gross billing stayed above USD1mn, contributing substantial and sustained revenue to the company.

Fig.50: *Age of Origins*: monthly gross billing (USD10k)



Source: Sensor Tower, Huatai Research

Fig.51: *War and Order*: monthly gross billing (USD10k)



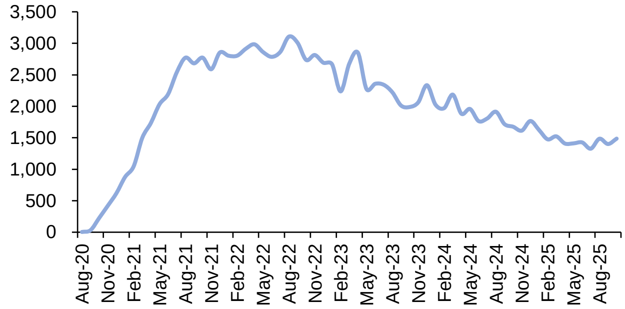
Source: Sensor Tower, Huatai Research

Sanqi Interactive builds a new overseas expansion paradigm with casual + SLGs. In today's context of IDFA restrictions and rising user acquisition costs, the traditional approach of relying on hardcore SLG gameplay to directly target heavy spenders has become increasingly ineffective. Sanqi Interactive has pioneered a new paradigm for SLG exports: leveraging casual secondary gameplay for user acquisition and converting those users into core spenders through primary SLG mechanics. Its flagship title *Puzzles & Survival*, which blends match-3 mechanics with SLG systems and features an innovative zombie-apocalypse theme, has quickly captured overseas market share. As of October 2025, this title had surpassed USD14mn in monthly gross billing and consistently ranked among the top 10 on China's overseas game revenue chart. Furthermore, Sanqi Interactive continues to refresh player engagement through content innovations. For example, the "Volcano Journey" update introduces dynamic elements such as volcanic eruptions and emergency evacuation scenarios, enabling the game to stay popular among players and enhancing immersive experiences.

Fig.52: Introduction to the game page of *Puzzles & Survival*

Source: Company official website, Huatai Research

Fig.53: *Puzzles & Survival*: monthly gross billing (USD10k)



Source: Sensor Tower, Huatai Research

Lilith Games has established itself as a benchmark for stylized game exports by adhering to a "premium content production & global publishing" strategy. Its core competitiveness lies in the strategic sense and solid execution of publishing premium games globally. The company excels at wrapping card-collecting, idle, and SLG mechanics in distinctive, visually striking art styles. Titles such as AFK Arena and Rise of Kingdoms showcase the company's deep understanding of global diverse markets and strong localized operations.

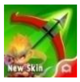
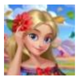
Smaller studios: differentiated innovations to attract overseas users

While operating games in overseas markets involves intensive efforts, opportunities remain for small-/medium-sized studios. Some game companies are penetrating overseas markets with lightweight designs with hybrid gameplay. Small-/medium-sized studios are unlocking new increments in both high-value regions such as the US, Japan, and South Korea, and emerging markets such as the Middle East and Latin America.

RiverGame: Lightweight SLGs enable user base expansion. RiverGame's standout innovation lies in making traditional SLG gameplay more lightweight. Its flagship title *Top War: Battle Game* blends casual merge mechanics with a hardcore SLG framework, meaningfully lowering entry threshold and successfully drawing a broad base of casual players into the strategy genre.

Habby: pioneering super-casual hybrid gameplay and leading the wave of medium-level casual games. Habby's strength is pioneering and leading super-casual hybrid gameplay. Its flagship title *Archero* integrates ultra-simple one-handed controls with a deep Roguelike progression system, creating a gameplay loop that enables both frequent gratification and long-term user retention. Habby has since systematized this successful formula across subsequent titles and expanded into global markets:

Fig.54: Chinese game studios: core strengths and overseas expansion strategies

Company	Core strengths	Representative title	Overseas expansion strategies
miHoYo	Industrialized content production	*Genshin Impact* 	Globalized IP co-creation and cultural integration
Lilith Games	Refined global distribution	*Rise of Kingdoms* 	Combination of investment agency and integration of gameplay mechanisms
RiverGame	Lightweight innovation in the SLG genre	*Top War: Battle Game* 	Gradual gameplay integration and high-frequency iteration
Habby	Pioneering super casual hybrid gameplay	*Archero* 	Replicating the "Hit Formula" and achieving efficient iteration
Microfun	Deeply engaged in the global casual game sector	*Merge County* 	Focus on niche segments and high-intensity operations
Sanqi Interactive	Top-tier traffic management	*Puzzles & Survival* 	Category integration of "mini-gameplay + SLG"
Paper Games	Targeting female players	*Mr Love: Queen's Choice* 	Cross-border cooperation, content marketing

Source: Company announcements, Huatai Research

Our stock calls

Fig.55: Our key stock recommendations

Company	Code	Rating	Closing Price (LC)	Target Price (LC)	Mkt Cap (mn) (LC)	EPS (reporting currency) 2025	2026E	2027E	2028E	PE (x) 2025	2026E	2027E	2028E
XD Inc	2400 HK	BUY	52.15	106.38	25,517	3.11	4.38	5.23	5.91	14.62	10.36	8.67	7.68
Giant Network Group	002558 CH	BUY	25.25	48.54	47,989	0.92	2.28	2.49	2.81	27.35	11.07	10.13	8.99
Kingnet Network	002517 CH	BUY	15.23	25.33	32,538	0.89	1.27	1.40	1.51	17.09	12.03	10.91	10.08
Sanqi Interactive	002555 CH	BUY	19.00	28.25	42,033	1.31	1.44	1.56	1.68	14.49	13.17	12.15	11.28
G-bits	603444 CH	BUY	328.30	482.23	23,651	24.90	26.79	29.97	32.22	13.19	12.25	10.95	10.19
Beijing Ultrapower Software	300002 CH	BUY	7.68	11.06	15,108	0.41	0.50	0.60	0.69	18.85	15.27	12.79	11.21

Source: Bloomberg, Huatai Research forecasts（Based on the closing price on March 19）

We believe the global game market is transitioning from traffic-driven growth to structural innovations. Chinese game companies' globalization journey has entered a new era of high-quality growth. Looking ahead, key overseas market opportunities come from: 1) regional expansion: Chinese game companies are set to shift from broad coverage to precision-focused strategies that balance high-value markets and emerging regions. Notably, Europe and North America remain revenue cornerstones; Southeast Asia and the Middle East still offer penetration potential. 2) Gameplay and genre innovations: Hybrid SLG mechanics and multi-platform launch are emerging as new common trends.

Among A-share-listed game companies, we recommend:

1) Giant Network: Its high-DAU title *Supernatural Action Team* (SAT) achieved notable success in 2025. We expect its gross billing could continue rising. In addition, AI-powered cost cuts, efficiency gains and gameplay innovations consolidate the company's competitiveness.

2) Kingnet Network: It focuses on legend and miracle-based games and is broadening its classic martial arts IP portfolio. 996box.com delivers continued user base expansion and monetization. Other genres such as SLGs/MMORPGs continue to expand.

3) G-bits: In 2025, *Sword x Staff* (launched at home and abroad) and *Sword of Immortality* made positive earnings contributions. Upcoming SLG "Jiu Mu Zhi Ye" could deliver fresh earnings upsides.

4) Perfect World: The company's classic IPs such as *Perfect World* and *Jade Dynasty* have solid global influence. Its new open-world anime-style title *Neverness to Everness* (NTE) could be launched in 2Q26, and we expect it to contribute earnings upside in 2026

5) Ultrapower Software: Core legacy titles *Age of Origins* and *War and Order* have maintained solid rankings on the evergreen game export chart. Ample new SLG+X titles in pipelines underscore sound long-term operation capabilities.

6) Sanqi Interactive: It has built a global publishing network and intensified R&D investment to produce premium titles. *Puzzles & Survival*, which blends match-3 with SLG gameplay, has delivered outstanding results through global publishing.

7) XD Inc: TapTap, a community + distribution platform underpins its core competitiveness. We anticipate the company's upcoming title, *RO2*, to be launched in 2026. Based on a marked improvement in proprietary programs, we look forward to the performance of its upcoming games.

Other game companies include Century Huatong, a leading SLG exporter. Following earlier breakthroughs in Europe and North America, it earns a steady stream of revenue from domestic SLG+X titles. In addition, the casual match-3 genre is poised for flagship title rollouts.

Century Huatong demonstrates robust overseas expansion momentum amid continued genre expansion.

1) It is leading SLG producer with strong globalization performance. *Whiteout Survival*, a mobile game that blends SLG mechanics with novel elements, has become a phenomenon and consistently ranked among the world's top-grossing mobile games. Century Games introduces a more diversified portfolio and demonstrate ongoing innovations over the SLG genre. For instance, it has rolled out *Kingshot*, which integrates tower defense with core SLG gameplay.

2) Long-term genre expansion potential: Based on breakthroughs in both SLGs and match-3 games, the company is shifting from a studio driven by single blockbusters to a platform-based player running multiple evergreen games. It has officially launched casual games such as *Tasty Travels: Merge Game* and *Truck Star*. Going ahead, a rich pipeline of upcoming titles could shape a portfolio of multiple games each generating a gross billing of USD10-100mn.

Giant Network

1) *SAT* validates its hit-making capability in the high-DAU segment. *SAT*, which combines Chinese-style light horror with cooperative multiplayer gameplay, allows the company to penetrate into niche markets and attract a great number of young female players. This proves that it can still create long-lasting blockbuster IPs beyond *Zhengtu* and *Battle of Balls*.

2) In-depth AI technology adoption builds competitive moats in R&D/operation efficiency and innovative gameplay. As one of the industry's earliest adopters of AI, Giant Network has built an end-to-end AI stack spanning from foundational large model GiantGPT to application tools for art, voice, and code generation. Going ahead, we expect deepened AI integration could continue to reduce R&D costs, shorten R&D cycles, and create novel gameplay experiences and business models.

Kingnet Network: 996box.com unlocks growth potential; legacy titles remain robust.

1) Legacy titles maintain sound gross billings, while upcoming titles offer fresh momentum. There are several IP-based flagship products slated for 2025/2026 launches, including "San Guo: Tian Xia Gui Xin" (a proprietary mobile SLG; testing underway). Other upcoming games include *Soul Land: Legend of Evil Slayer* (an open-world game) and *The Lost Tomb: Departure* (an ARPG based on Nanpai Sanshu's licensed IP). We expect upcoming flagship titles could fuel revenue growth.

2) 996box.com's growing platform-based value supports strong earnings growth. Kingnet Network is shifting from a pure developer into a platform-based operator. 996box.com integrates distribution with high-engagement features such as community, live streaming, and in-game item trading that deliver strong network effects and high profit margins.

G-bits: premium games deliver sound performance overseas, and new SLG products are set to sustain growth.

1) *Sword x Staff* and *Sword of Immortality* record stellar performance. G-bits adheres to a "small but exquisite" strategy to deliver high-quality game exports in niche segments. For example, its alternate-world adventure RPG *Sword x Staff* once ranked as high as no. 10 on China's App Store grossing chart following its domestic launch on 29 May 2025. Its proprietary progression-oriented mobile game Sword of Immortality topped the App Store free chart immediately upon release on 2 January 2025. The company continues to increase R&D investment, providing a solid foundation for the consistent quality of its game exports.

2) We expect its upcoming SLG title "Jiu Mu Zhi Ye" could contribute additional revenue. Set in the Three Kingdoms era and structured around seasonal gameplay, this innovative SLG shifts away from traditional grid-based movement systems and pioneers a fully open-sandbox free-marching mechanic. After three years of development and two rounds of live testing, the game entered open beta testing on 18 December 2025 and delivered strong gross billing on its first day, positioning it well to further expand G-bits' overseas growth potential.

Perfect World: IP globalization empowers overseas expansion. *NTE* elevates its growth prospects.

1) Growing IP globalization potential: The company has a series of classic IPs such as *Perfect World* and *Jade Dynasty*. TVs, films, anime and other derivatives enhance global IP influence and facilitates game exports. In addition, the company actively acquires overseas high-quality IPs for game adaptation to further expand global user reach. Global R&D and operation systems, as well as an IP ecosystem, work in a synergy to fuel long-term overseas growth.

2) New flagship title *NTE* gains strong expectations. Its original anime open-world RPG *NET* blends tactical combat, vehicle customization, property buying, and shop management. In June 2025, the company kicked off its second domestic testing and completed it on 10 July. During the first overseas testing over the same period, the game received positive feedback, with social media impressions reaching 1.86bn. Later, it was showcased at Gamescom and Tokyo Game Show, with official launch slated for 2Q26.

XD Inc builds a distinct ecosystem where TapTap and proprietary content shape a synergy.
1) TapTap's community and distribution features build strong competitiveness. Its distinct business model rejects joint operations and enables zero revenue shearing. Community-driven "discovering good games" ethos have attracted a great number of high-quality players and developers, creating powerful network effects. Beyond serving as a premium distribution channel for the company's proprietary titles, TapTap's info-stream ads provide stable revenue, shaping a core competitiveness outperforming traditional channels.
2) The company's proprietary game production & publishing prioritize differentiation strategies, with its evergreen titles delivering robust performance. Its new game *Etheria* was launched in Europe and North America in June 2025 and recorded sound performance. On 25 September 2025, *Etheria* was launched in China and continued to contribute gross billing. We expect *Heartopia*, designed as a high-DAU evergreen title, could be rolled out globally in 1Q26. *RO2* could be launched in 2026. We believe XD's in-house development capabilities have markedly improved, and we expect to see sound performance of its upcoming games.

Ultrapower Software focuses on regional strengths to build barriers in niche segments.
1) Its legacy titles *Age of Origins* and *War and Order* have experienced natural gross billing declines following reduced marketing spending, yet they continue to demonstrate solid appeal. On tfcaijing.com's 3Q25 China Game Export Evergreen Chart, *Age of Origins* ranked 4th and *War and Order* ranked 17th.
2) Additionally, the company's pipelines cover multiple SLG+X hybrid titles, including DL (*Stellar Sanctuary*) and LOA (*Next Age*), with their Chinese versions having already secured official publishing approvals. Both games are under content tuning and optimization. While the slower rollout of new games has temporarily weighed on earnings, we expect to see earnings growth after gross billing ramp-ups.

Sanqi Interactive leads large-scale overseas expansion with global distribution and premium content.
1) It combines a global publishing network with high-quality content R&D to cover major markets across the world: Based on a global publishing network, the company is ramping up R&D investment to produce high-quality games. In the SLG genre, *Puzzles & Survival*, which blends match-3 gameplay with core SLG mechanics, has delivered exceptional results in North America, Europe, and Latin America following global distribution. In the MMO segment, titles such as *Eternal Crusade* maintain overseas content updates and stable gross billings. Besides, the company is actively expanding into emerging genres such as anime-style games, with new titles garnering broad attention during overseas beta tests.
2) Furthermore, 37 Interactive has optimized a fully integrated global operating model that spans product development, user acquisition, and operations. Its user acquisition strategy is based on in-depth insights into different traffic platform characteristics in regional markets to maximize ad placement efficiency. Besides, its operations tailor in-game experiences to align with local player preferences. This end-to-end globalization framework enables the company to steadily scale its overseas presence, establishing it as one of the leading Chinese game publishers in the global market. A pipeline of high-quality upcoming titles and an upgrading global operation chain position the company well for a new globalization stage.

Risks

1. Policy and compliance risks. Privacy laws and content regulations vary significantly across jurisdictions. Companies need to implement market-specific compliance measures in line with local regulations. Failure to do so could result in substantial fines, forced operation suspension, and reputational damage. Companies need long-term investment in technology infrastructure, dedicated personnel, and standardized processes to ensure sustainable, compliant operations for cross-border data transfers and local data storage.

2. Market and localization uncertainties. Player culture backgrounds, aesthetic preferences, and spending behaviors vary significantly across target markets. Successful localization requires comprehensive adaptation of UI languages, colors & symbols, gameplay mechanics, and even optimization for local devices and network conditions. Multi-region QA testing and content moderation further add complexity. A "copy-paste" approach that ignores local context and marketing ecosystems (such as social media, e-commerce platforms, and KOLs) may lead to disappointing user retention, conversion rates, and reputation. This not only reduces marketing efficiency and wastes budget but also causes revenue shortfalls and brand erosion, ultimately shortening games' lifecycle and delaying cash recovery.

3. Game gross billings falling short of our expectations. As content-driven products, games face inherent uncertainty in user demand. Revenue growth depends on effective advertising and channel promotion. If industry-wide user acquisition costs continue to rise while a company's marketing strategy proves misaligned, resulting in high spending that fails to convert audiences into paying users, it would not only squeeze profit margins but also lead to stagnant user growth and failure to meet gross billing targets.

Fig.56: Our latest views on key stock recommendations

Company	Our latest views
XD Inc (2400 HK)	XD Inc. has reported its 2025 annual results, with 2H25 revenue at RMB2,682mn (-3.9% YoY, +13.0% HoH), an attributable NP of RMB780mn (+28.7% YoY, +3.3% HoH), and an adjusted NP of RMB776mn (+21.3% YoY, -9.0% HoH). The company's profit began to expand, with the full-year NP meeting our expectation of RMB1.54bn. Its announcement of a HKD400mn share repurchase plan in January 2026 reflects confidence in its long-term growth. We remain positive on incremental contributions from Heartopia's global version and expect TapTap to sustain rapid growth following advertising algorithm upgrades. Maintain BUY. XD Inc. is on our Huatai Conviction BUY list. The company's recent game grossing has been strong, leading us to slightly raise our 2026-2027 attributable NP forecasts by 0.9/0.4% from RMB2.15/2.58bn to RMB2.17/2.59bn, with a 2028 attributable NP forecast of RMB2.92bn. Based on our SOTP valuation, and referencing its platform business peers average 2026 PS of 8.3x on Wind consensus, we assign 10.4x 2026 PS to the platform business, considering potential acceleration in commercialization from TapTap PC and TapTap Create, along with continued MAU expansion. Given stable performance of evergreen titles and strong growth of Heartopia's international version, we apply 16.5x 2026 PE to the gaming business, above its peers' average of 14.5x on Wind consensus. We maintain our target price at HKD106.38 (previous: HKD106.38, based on 10.4x 2026 PS for TapTap platform, 16.6x 2026 PE for gaming business, at 0.88 RMB/HKD exchange rate). XD Inc. is on our Huatai Conviction BUY list.(Our latest report on XD Inc was dated 01 April 2026.) Risks: weaker grossing from legacy games than we expect; regulatory changes in gaming sector; slower community ecosystem development than we expect. **Click to download: XD Inc(2400 HK,BUY): New Growth Curves Consisting Games + AI + Platform**
Giant Network Group (002558 CH)	Giant Network reported 1Q26 revenue of RMB2,329mn (+221.7% YoY, +38.7%？QoQ), attributable NP of RMB1.08bn (+210.3% YoY, +219.5% QoQ), and recurring attributable NP of RMB1,014mn (+180.1% YoY, +43.5% QoQ). The company achieved synchronized high growth in both revenue and profit, driven by the sustained strong performance of its core products. We remain positive on the company's long-term operational system and, with the release of a new product pipeline and overseas expansion, we expect continued earnings growth. Maintain BUY. The company's core products have seen profit contribution, with the mobile hit cycle and new product pipeline likely, in our view, to continue driving earnings growth. We forecast attributable NP of RMB4.34/4.73bn for 2026/2027 and introduce a new 2028 attributable NP forecast of RMB5.34bn. As the company has clear overseas expansion plans and strong product growth, and considering the high proportion of single-core product billings, we assign a 2026E PE of 21.4x (previous: 23x for 2026), above its peers' average 2026E PE of 16.0x on Wind consensus (previous: 16x for 2026). Our target price is unchanged at RMB48.54.(Our latest report on Giant Network Group was dated 15 May 2026.) Risks: Weaker title performance than we expect, higher user acquisition costs, unfavorable industry policies. **Click to download: Giant Network Group(002558 CH,BUY): Expecting Supernatural to Add Profit & New Title Grossing to Rise**
Kingnet Network (002517 CH)	Kingnet Network has released its 1Q26 results. In 1Q26, the company achieved revenue of RMB2,221mn (+64.2% YoY, +77.7% QoQ); attributable NP of RMB781mn (+50.7% YoY, +143.8% QoQ); and recurring attributable NP of RMB545mn (+5.8% YoY, +69.2% QoQ). The company's revenue and profit performance significantly exceeded our and the market expectations after a one-time income boost from litigation proceeds and the release of grossing from core game products. We are optimistic about Kingnet's multi-wheel-driven growth path of "premium games + user platform + AI/IP ecosystem." Maintain BUY. The company has initiated a new product cycle, enhanced the share of the platform business, and dialed up its use of AI. We slightly raise our

Company	Our latest views
	2026/2027 attributable NP forecasts to RMB2,705/2,982mn and introduce our 2028 earnings forecast of RMB3,229mn. Comparable companies currently trade at an average 2026E PE of 16.8x (previous: 19x for 2026). Considering the company's rich new product pipeline, high visibility of overseas growth, and valuation premium potential from AI empowerment, we value the stock at 20x 2026E PE (previous: 25x for 2026), with our target price at RMB25.33 (previous: RMB29.73). Maintain BUY.(Our latest report on Kingnet Network was dated 25 May 2026.) Risks: Disappointing new title performance, traffic acquisition cost hikes, unfavorable industry policies. **Click to download: Kingnet Network(002517 CH,BUY): Profit Outshone on Impressive New Title Growth**
Sanqi Interactive (002555 CH)	Sanqi Interactive has reported 1Q26 revenue/attributable net profit (NP)/recurring attributable NP of RMB3,720/873/610mn (-12.3/+59.0/+13.7% YoY, +6.2/+57.3/ +4.3% QoQ). Profitability improved significantly with contributions from new titles. We are optimistic about the competitiveness of the company's overseas products, represented by the SLG title, Last Asylum: Plague, and the new product cycle. BUY. We believe the new product cycle is underway, overseas SLG growth momentum is emerging, and AI empowerment could continue improving operational efficiency. We largely maintain our 2026/2027/2028 attributable NP forecast at RMB3,192/ 3,460/3,726mn. Considering the company's rich product pipeline, high overseas growth certainty, and potential AI-driven premium, we value the stock at 19.6x 2026E PE, above its peers' average of 14.7x (previous: 15.1x) on Wind consensus, for our target price of RMB28.25 (unchanged). Maintain BUY.(Our latest report on Sanqi Interactive was dated 11 May 2026.) Risks: Performances of new titles missing our expectations, a rise in user acquisition costs, industry policy overhang. **Click to download: Sanqi Interactive(002555 CH,BUY): Revenue Rallies QoQ, Overseas Products Likely to Drive Growth**
G-bits (603444 CH)	G-bits' 1Q26 results: revenue was RMB1,847mn (+62.6% YoY, +7.4% QoQ), attributable net profit was RMB518mn (+82.7% YoY, -10.7% QoQ), and recurring net profit was RMB526mn (+91.4% YoY, +1.2% QoQ). High-quality YoY growth was driven by a full-quarter contribution from new titles and scaling overseas distribution. We like G-bits' premium R&D and global publishing capabilities as we believe the new product cycle will likely sustain earnings delivery. Maintain BUY. Legacy games are gradually entering a profit-harvesting phase, while overseas expansion should continue to open up the revenue runway, in our view. We maintain our 2026/2027/2028 attributable net profit forecast at RMB1.93/2.16/ 2.32bn. Peers currently trade at an average 2026E PE of 17.1x on Wind consensus (previous: 16.7x). Given strong growth momentum from new title launches and the medium- to long-term upside from overseas releases this year, we assign an 18x 2026E PE, maintaining our target price of RMB482.23.(Our latest report on G-bits was dated 15 May 2026.) Risks: Weak new title performance, rising user acquisition costs, industry policy risk. **Click to download: G-bits Network Technology Xiamen(603444 CH,BUY): New Titles and Overseas Expansion to Drive Growth**
Beijing Ultrapower Software (300002 CH)	For 1Q26, Beijing Ultrapower Software's revenue was RMB1,401mn (+5.9% YoY, -20.1% QoQ), attributable net profit (NP) was RMB171mn (-28.3% YoY, +121.9% QoQ), and recurring NP was RMB169mn (-25.4% YoY, +35.9% QoQ). For 2025, revenue was RMB1,401mn (-9.79% YoY), attributable NP was RMB802mn (-43.86% YoY), and recurring NP was RMB820mn (-28.48% YoY). In 1Q26, revenue grew YoY, as refined game operations remained resilient. Among innovative businesses, AI cloud services saw revenue ramp up. We are optimistic about the company's growth pattern driven by both games and AI. Maintain BUY. We believe that the company's game segment has strong operational resilience, and core legacy products continue contributing stable cash flows. Meanwhile, AI cloud services, IoT, and vertical LLMs have entered accelerated commercialization, shaping more visible second earnings growth drivers. Considering that it still takes time for the company's pipeline games to be launched, we project 2026/2027 attributable NP of RMB989/1,180mn and add our 2028 forecast of RMB1,350mn. We value the stock at 22x 2026E PE, a premium over its peers' average of 16.1x to factor in growth potential stemming from overseas game operations and AI applications. Our target price is RMB11.06 (based on 22x 2026E PE). Maintain BUY.(Our latest report on Beijing Ultrapower Software was dated 25 May 2026.) Risks: Weaker new product performance than we expect, forex rate fluctuations, the commercialization of innovative AI products missing our expectations, policy risks. **Click to download: Beijing Ultrapower Software(300002 CH,BUY): AI and Games Drove Robust Main Business**

Source: Bloomberg, Huatai Research forecasts

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