

What's Hot Today:

► NetEase (9999 HK, HK\$195.00, HK\$617bn) Soft 4Q25

Revenue but strong pipeline

China gaming powerhouse NetEase reported 4Q25 total net revenue of RMB27.5bn (+3% YoY / -2.8% QoQ), missing market expectations of RMB28.8bn. While GPM and the OPEX ratio improved, bottom-line performance was weighed down by non-operating items, mainly fair-value changes in equity investments and larger FX losses in 4Q25.

Games and related value-added services grew 3.4% YoY to RMB 21.97bn in 4Q25, with its revenue share easing to 80%. Segment GPM continued to expand to a new high of 70.5% and contributed 88% of total gross profit. Within the segment, net revenues from online games accounted for 96.8%; the sequential decline mainly reflected a tougher comparison, as the prior quarter was boosted by a high intensity of diversified summer events.

Youdao (6% of total): 4Q25 net revenue stood at RMB1.6bn, flat QoQ and +16.8% YoY, with GPM of 45.1%. The YoY growth was mainly driven by stronger online marketing and learning services.

NetEase Cloud Music (7% of total): 4Q25 net revenue up 4.7% YoY to RMB1.97bn with GPM at 34.7% ending a four-quarter streak of YoY revenue declines and signals stabilizing top-line momentum.

Innovative businesses & others (7% of total): 4Q25 net revenue declined 10.4% YoY to RMB2.04bn with GPM at 39.6%, marking the sixth consecutive YoY revenue drop while rising 42.3% QoQ from RMB1.4bn. The sequential rebound was mainly driven by stronger contributions from Yanxuan, advertising services, and other businesses, whereas the YoY shortfall largely reflected higher inter-segment transaction eliminations.

Resilient GPM: GPM inched up 0.1% QoQ to 64.2%, staying above 64% for the fourth consecutive quarter, mainly supported by a lower cost of revenues driven by reduced revenue-sharing and lower licensed-game content costs.

China & HK Indices	CLOSE	1D	YTD
HSI	27,266	0.3%	6.4%
HSCEI	9,268	0.3%	4.0%
HSCCI	4,432	0.6%	10.4%
CSI300	4,713	-0.2%	1.8%
Shanghai A	4,333	0.1%	5.0%
Shanghai B	266	0.4%	5.0%
Shenzhen A	2,820	-0.2%	6.5%
Shenzhen B	1,250	0.0%	-1.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	50,121	-0.1%	4.3%
S&P 500	6,941	-0.0%	1.4%
Nasdaq	23,066	-0.2%	-0.8%
NIKKEI Index	57,703	0.1%	14.6%
FTSE Index	10,472	1.1%	5.4%
CAC Index	8,313	-0.2%	2.0%
DAX Index	24,856	-0.5%	1.5%

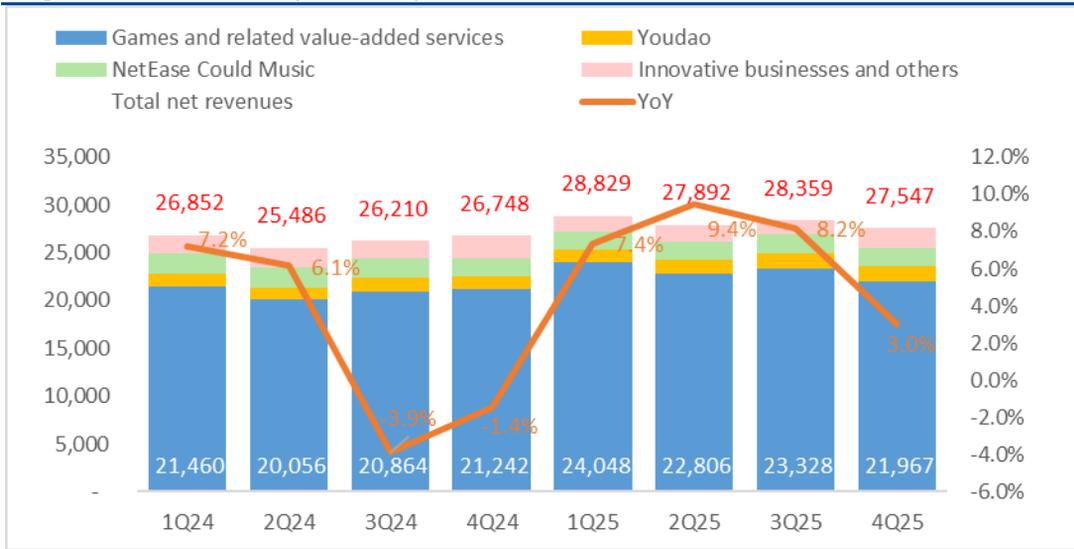
Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	5,084	1.2%	17.2%
STEEL (US\$/oz.)	3,119	2.2%	22.6%
SILVER (US\$/oz.)	84	4.3%	14.9%
CRUDE OIL (US\$/bbl)	64	1.0%	13.1%
COPPER (US\$/oz.)	13,166	-0.1%	6.0%
ALUMINIUM (US\$/oz.)	3,103	-0.7%	3.6%
PLATINUM (US\$/oz.)	2,136	2.3%	2.7%
ZINC (US\$/oz.)	3,406	0.9%	9.3%
WHEAT (US\$/bu)	537	1.6%	6.0%
CORN (US\$/bu)	427	-0.3%	-2.9%
SUGAR (US\$/lb)	71	-3.5%	0.3%
SOYBEAN (US\$/bu)	1,139	1.3%	7.4%
PVC (US\$/t)	4,977	0.3%	9.2%
CRB	310	-0.2%	3.0%
BDI		-0.7%	0.3%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.818	0.842	153.260	0.772	6.912
HKD	0.128		0.108	19.605	9.872	0.884
EUR	1.187	9.281		181.940	1.092	8.213
JPY	0.007	5.101	0.550		0.504	0.045
CHF	1.296	10.130	1.092	198.602		8.973
RMB	0.145	1.131	0.122	22.090	0.112	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	199	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	17	-5.3%

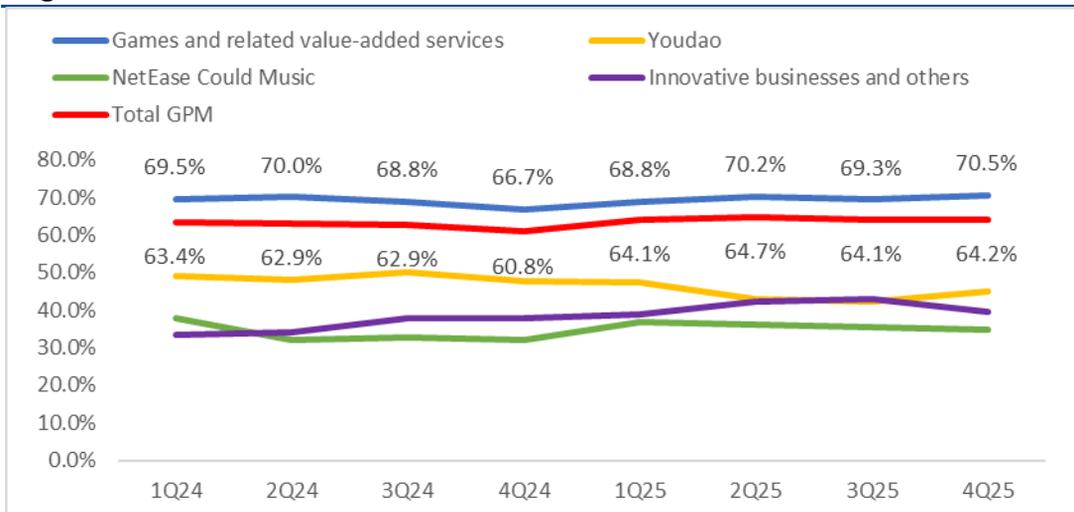
Source: Bloomberg

Fig 1: Total Revenue (RMB mn)



Source: Company Data, Sunwah Kingsway Research

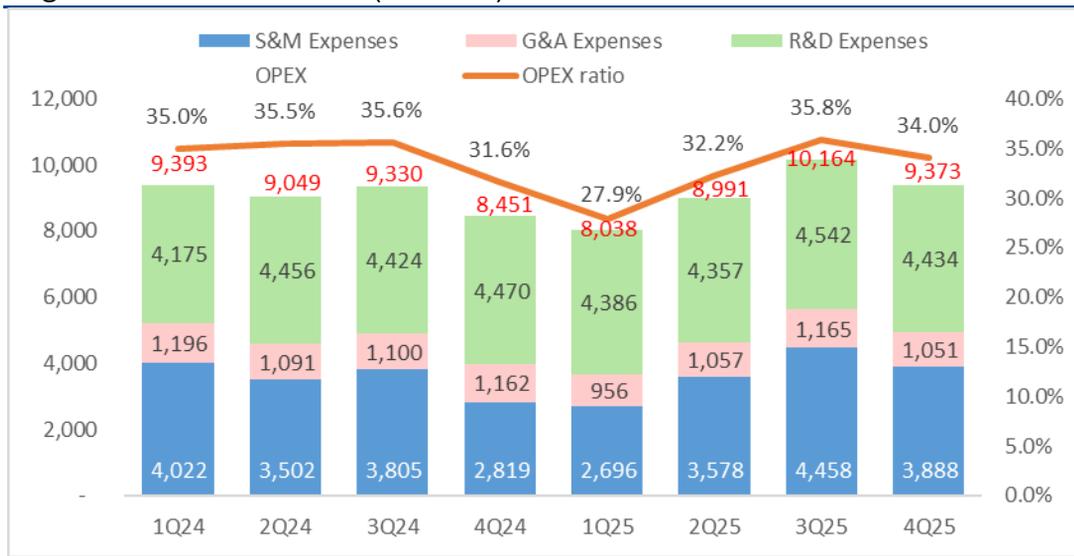
Fig 2: Breakdown of GPM



Source: Company Data, Sunwah Kingsway Research

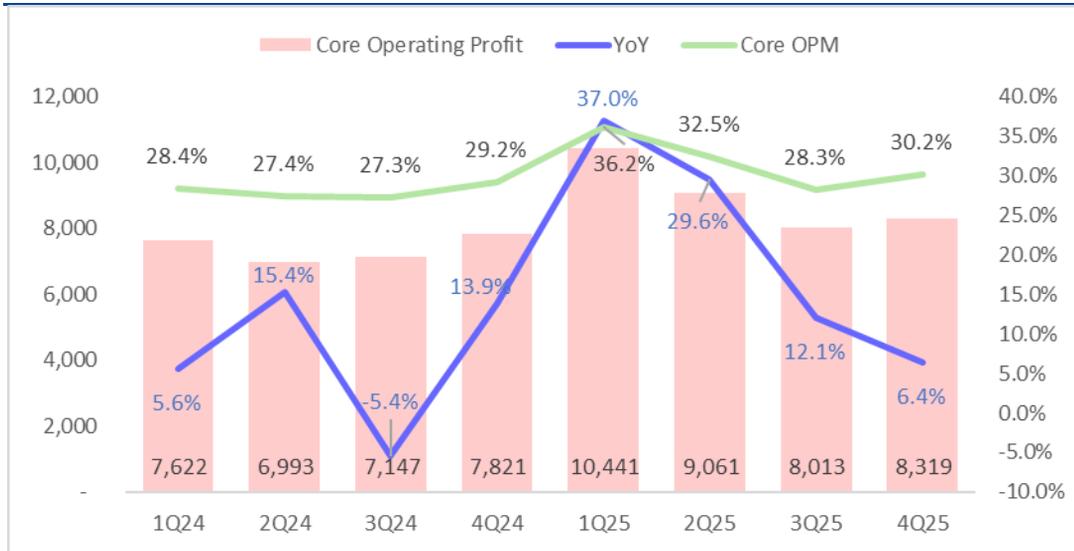
OPEX Leverage, Profit Drag: The OPEX ratio fell 1.8ppts QoQ to 34.0%, driven by lower G&A and R&D, partly offset by higher sales and marketing on online-game promotions. Core operating profit reached RMB8.3bn (+6.4% YoY / +3.8% QoQ), lifting core OPM to 30.2% (+1.0ppt YoY / +1.9ppt QoQ). However, other income/(expenses) weakened due to a RMB1.7bn fair-value loss on equity investments, primarily the mark-to-market losses on its PDD Holdings (Pinduoduo) stake, together with higher net FX losses, dragging attributable profit to RMB6.2bn (-28.8% YoY / -27.5% QoQ) and NPM down 7.7ppt QoQ to 22.7%.

Fig 3: Breakdown of OPEX (RMB mn)



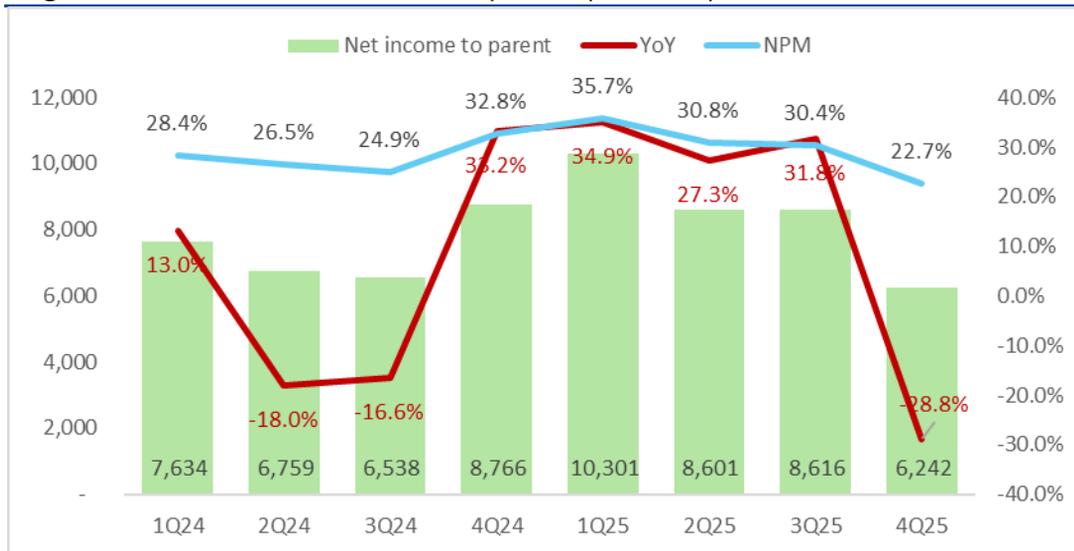
Source: Company Data, Sunwah Kingsway Research

Fig 4: Breakdown of Core OPM (RMB mn)



Source: Company Data, Sunwah Kingsway Research

Fig 5: Breakdown of Net income to parent (RMB mn)

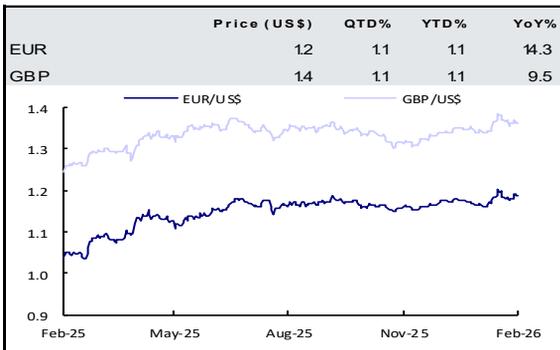
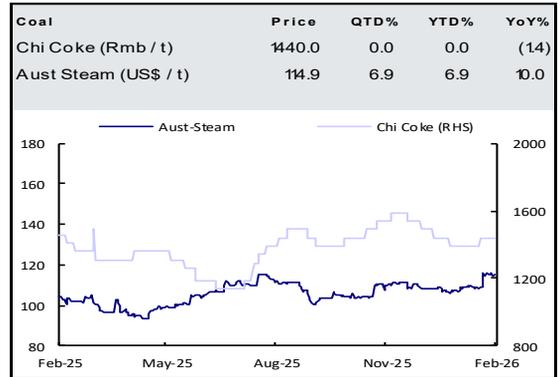
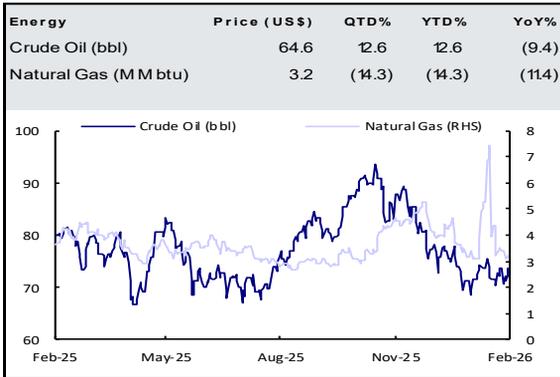
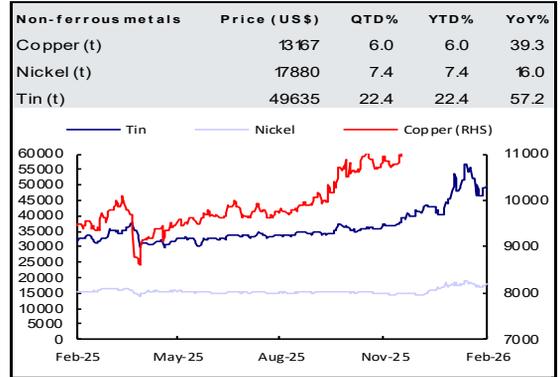


Source: Company Data, Sunwah Kingsway Research

Our view: 4Q25 revenue missed expectations, mainly due to high base, a lighter new-title slate, and competition. Still, deferred revenue rose 34% YoY, improving near-term monetization visibility, largely supported by Where Winds Meet. The company disclosed a cumulative player of 80m+ from its phased multi-platform rollout, and the title briefly ranked No.2 on Steam's Global Top Sellers post overseas launch, pointing to improving overseas traction for wuxia content.

Going into 2026, Sea of Remnants and ANANTA are expected to bring new growth. The Mgt guided that both could reach annualized revenue run-rates in the tens of billions of RMB, with differentiated genres reducing cannibalization versus evergreen games. On production, Google's Genie3 and similar tools may lower barriers to the game industry but remain far from replacing top-tier game industrialization. NetEase said its in-house game-focused AI is already embedded in production, delivering efficiency and cost gains. Financially, its net cash of RMB164bn accounted for about 74% of total assets, providing ample ammo to fund the development and global publishing of new games. With its evergreen IP strength and an improving pipeline, we are positive about its medium-term growth. The company is trading at 14x 2026E P/E. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Employment Report	MoM		11-Feb-26
Initial Jobless Claims	WoW		12-Feb-26
Existing Home Sales	MoM		12-Feb-26
CPI	MoM		13-Feb-26
Durable Goods Orders	MoM		18-Feb-26
Housing Starts / Building Permits	MoM		18-Feb-26
Industrial Production	MoM		18-Feb-26
Trade Balance	MoM		19-Feb-26
Wholesale Inventories	MoM		19-Feb-26
Personal Income & Spending	MoM		20-Feb-26
GDP	QoQ		20-Feb-26
New home Sales	MoM		20-Feb-26
Factory Orders	MoM		23-Feb-26
Consumer Confidence	MoM		24-Feb-26
PPI	MoM		27-Feb-26
ISM Manufacturing PMI	MoM		2-Mar-26
Retail Sales	MoM		2-Mar-26
Business Inventories	MoM		14-May-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		12-Feb-26
PMI Manufacturing	MoM		4-Mar-26
Foreign Exchange Reserves	QoQ		7-Mar-26
PPI	MoM		9-Mar-26
CPI	MoM		9-Mar-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Unemployment Rate	MoM		20-Feb-26
CPI	MoM		25-Feb-26
GDP	QoQ		25-Feb-26
Trade Balance	MoM		27-Feb-26
Money Supply - M2	MoM		27-Feb-26
Retail Sales	MoM		4-Mar-26
PMI	MoM		4-Mar-26
Foreign Currency Reserve	MoM		6-Mar-26
Producer Prices Index	QoQ		13-Mar-26
Industrial Production	QoQ		13-Mar-26
Composite Interest Rate	MoM		

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