

New Asia Perspectives



Welcome to Morgan Creek's New Asia Perspectives, an open forum where we share our proprietary research together with curated articles of interest. We seek to offer a variant interpretation of important political and economic events through an Asian lens by leveraging our team's "on the ground" insights and decades-long experience in covering the region. We disseminate our research through newsletters, webinars and periodic whitepapers. Feel free to forward our research to colleagues you think might be interested and please share any interesting research you come across as well. To offer comments, share research, or learn more about our team and investment offerings, please email chinateam@morgancreekcapi.com.

Best Regards,

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NOTES FROM THE BUND¹

Over the past six months, China's cultural exports have gained remarkable traction on the global stage, reshaping international perceptions of the nation's creative industries. Leading this charge is the entertainment sector, which has not only captured the imagination of global audiences but also underscored the strength and resilience of China's domestic consumer base. A flagship example of this transformation is Black Myth: Wukong—a game that not only shattered sales records but also redefined what a Chinese-developed AAA title can achieve. In this first of a two-part series, we explore the factors behind the game's success and the economic ripple effects it triggered. The second part will dive deeper into the broader implications for China's gaming industry.

By the end of 2024, Black Myth: Wukong had sold 22 million copies worldwide, generating an estimated \$1 billion in revenue.² Notably, Chinese players accounted for nearly 90% of its Steam purchases.³ This raises a critical question: Why did this game resonate so profoundly with Chinese audiences?

Reimagining a literary classic with cultural resonance at its core .

At the heart of Black Myth: Wukong lies a deep-rooted cultural narrative. The game revitalizes Journey to the West, one of China's most revered literary masterpieces, through a modern philosophical lens. Game Science, the developer, subverts traditional mythic archetypes: characters once vilified as villains are reimagined as tragic heroes manipulated by systemic forces, while mythical demons, yaoguais, emerge as casualties of power struggles. This nuanced storytelling reflects contemporary debates about ethical binaries and moral ambiguity, striking a chord with Chinese players. A 2023 NGA⁴ Community survey found that 87% of respondents cited the narrative as a source of cultural pride.

Pushing Technological Boundaries to redefine immersive gameplay.

Technological innovation is another pillar of Black Myth: Wukong's success. As an early adopter of Unreal Engine 5, the game achieves unprecedented realism. The Pagoda realm showcases Nanite Virtualized Geometry, preserving 97% of 3D model detail at 4K resolution, with statues rendered at over 100,000 polygons. Meanwhile, the Chaos Physics

system enhances combat fluidity, reducing tactile feedback errors by 30% compared to traditional engines.⁵ These advancements elevate the player experience, setting a new standard for Chinese game development.



Figure: Screenshot from Black Myth: Wukong - Chapter 3

On the other side of the story, Chinese consumers have demonstrated their willingness to pay for high-quality entertainment, reinforcing their position as a driving force in the global market. The game's launch shattered assumptions about China's poor gaming ecosystem. Priced at 298 RMB, mostly aligned with international 3A titles, the game sold 5 million copies in China within its first week, accounting for nearly 25% of its total sales in 2024.⁶ The release also triggered ripple effects across gaming hardware industries as well. For example, NVIDIA's RTX 4060 GPU shipments surged 68% quarter over quarter⁷, while PS5 sales in China jumped 320% month over month in August 2024⁸, setting a non-holiday sales record. E-commerce platforms like JD.com reported a 120% spike in PC-related sales on launch day.⁹

Beyond digital realms, Black Myth: Wukong ignited real-world economic activity. In Shanxi Province, a key gaming filming location, hotel bookings surged 180% during the Mid-Autumn Festival.¹⁰ Similarly, Chongqing's Wulong Scenic Area, replicated by the game as the "Black Wind Mountain," saw visitor numbers rise 140% during National Day, with themed hotels maintaining over 95% occupancy rates.¹¹ The game's cross-industry appeal was further demonstrated through collaborations like Luckin Coffee's co-branded campaign, which sold 5.42 million cups on launch day, a single-day record for the chain.¹² Limited-edition cup sleeves resold at 300% premiums on Xianyu¹³, China's largest second-hand platform, illustrating the potency of IP-driven consumer engagement.

Black Myth: Wukong is more than a commercial triumph—it is a cultural moment. It shows that Chinese-developed games can combine artistic depth with mass-market appeal, while signaling the rising influence of Chinese consumers as global trendsetters.

In this piece, we explore the state of China's gaming industry and examine how Black Myth: Wukong may influence its future trajectory.

As of 2024, mobile gaming is the dominant force in China's \$45 billion gaming industry, accounting for approximately 75% of total revenue.¹⁴ This dominance is underscored by the success of domestic giants Tencent, NetEase, and MiHoYo—three of the world's ten largest gaming companies¹⁵—all of which have thrived by pursuing mobile-first strategies. In sharp contrast, the PC gaming segment has steadily declined, shrinking from 52% of the market in 2016 to just 19% by 2023.¹⁶ One of the key drivers behind this shift is China's extraordinarily high smartphone penetration. The country is home to 1.02 billion smartphone users, an astonishing 99.7% of all internet users. This far exceeds penetration rates in major Western markets, such as the United States (81%) and the European Union (76%).¹⁷ With such pervasive access to mobile devices, the user base for mobile gaming has exploded, reaching an estimated 668 million players, compared to just 142 million for PC gaming.¹⁸ The result is a deeply mobile-centric gaming ecosystem that continues to shape how games are developed, distributed, and consumed across China.

From a development standpoint, mobile games also offer a much more attractive cost-benefit ratio than PC-based games. A typical PC or console game in China can cost between RMB 100–300 million to develop, while mobile games usually require just RMB 20–50 million.¹⁹ This stark disparity has led most studios to focus overwhelmingly on mobile

content, both for domestic and international markets.

However, Black Myth: Wukong may represent a potential turning point. With AAA-level production quality and strong international anticipation, the game has reignited interest in high-end PC and console gaming within China. Its success could signal that there is room for a resurgence of the PC/console gaming market in a landscape so thoroughly shaped by mobile.

Breaking Through Audience Barriers .

The game’s popularity has demonstrated a unique ability to transcend the traditional gaming audience. On Douyin, it amassed an impressive 8.76 billion views, with more than 42% of viewers coming from non-gaming demographics.²⁰ This suggests that Black Myth: Wukong is not only engaging core gamers but also capturing the imagination of casual players and broader entertainment audiences. Steam data shows that the game’s first-month completion rate was 15%, compared to 25% for Elden Ring, a similarly styled action RPG.²¹ While this might seem like a shortfall, it actually highlights a promising trend: a significant share of Wukong players appear to be new or casual gamers. This expanding base signals potential for a broader and more diverse PC/console market in China.

The ripple effects are already visible. For example, ‘Split Fiction’, an indie game released in March 2025, saw 48% of its first-week Steam players come from China, up from just 12% for the same studio’s earlier title ‘It Takes Two’.²² This jump points to a larger and more engaged Chinese PC gamer base.



Figure: Split Fiction director congratulates Chinese players for first clearing Laser Hell, invites them to Norway to try the new game

Driving Upgrades in the Industrial Value Chain .

Beyond consumer impact, Black Myth: Wukong is pushing the technical boundaries of China’s gaming industry. As the first Chinese AAA game developed using Unreal Engine 5, the project has helped cultivate domestic capabilities in high-end game development. According to materials released by Game Science, the studio collaborated closely with Shenzhen-based Realis on motion capture. During the project’s lifecycle, Realis’ technical staff grew from 120 to 210, while their equipment rental demand increased by 300% year-over-year.²³ This growth is already benefiting adjacent sectors. Light Chaser Animation’s latest film, ‘White Snake 2,’ employed the same motion capture team, suggesting that investments in gaming technology can create spillover value in other digital content industries. The momentum is also visible in capital markets. In 2024, 35% of gaming industry financing events in China targeted core technologies such as engine development and physics simulation, up from 18% in 2023.²⁴

Black Myth: Wukong may be more than just a game. It could serve as a watershed moment for China's gaming industry. By reinvigorating the PC and console segments, attracting new audiences, and accelerating technological advancement, the game has the potential to reshape industry priorities and global perceptions of what Chinese developers can achieve. While mobile will likely remain dominant in the near term, Wukong has opened the door to a more diversified and ambitious future for Chinese gaming.

Morgan Creek Brainstorming Corner

We invite you to share your thoughts on how the game's deep integration of Chinese mythology might influence its appeal to global audiences. What cultural or creative elements do you believe could shape their perceptions and reception of the game?

We would greatly appreciate any feedback or insights you may have. Please feel free to send your comments to the article's author, Axe Wu (swu@morgancreekcap.com). We look forward to engaging in further discussions with you.

ASIA NEWS SPOTLIGHT

China's Q1 Industrial Profits Return to Growth Amid Tariff Woes: China's industrial profits returned to growth in the first quarter, official data showed on Sunday, but are likely to come under further pressure amid a trade war with the United States. With Washington's aggressive tariffs threatening to hit China's crucial export engine hit and no time frame yet for any bilateral trade talks, economists and investors are waiting for the Chinese government to roll out more support measures to cushion the blow to the world's second-largest economy. [Read More.](#)

White House Announces U.S.-China Trade Deal, Offers Few Details: The White House on Sunday announced a “trade deal” with China without providing specifics, after Trump administration officials spent the weekend negotiating with their Chinese counterparts. While details of the deal are still unclear, any de-escalation in the ongoing trade war could bring much-needed relief to a global economy that has been roiled since President Donald Trump’s April 2 tariff announcement. [Read More.](#)

70% of A-share Firms Report Profits in Q1, Empowered by Sci-tech Innovation: About 5,400 companies listed on China's Shanghai, Shenzhen and Beijing stock exchanges have reported first-quarter results, with more than 70 percent posting a profit. An analyst said on Sunday that listed companies' better-than-expected financial performance underscores their high-quality development and sends more positive signals about new progress in the Chinese economy. [Read More.](#)

China’s Video Gaming Firms Bet on Overseas Revenue Growth Amid Weak Home Market:

China’s video gaming companies saw their overseas operations emerge as key revenue driver in 2024 amid slow growth in the domestic market, according to a survey of these firms’ latest annual results. Chinese video game studios are now doubling down on exporting high-quality titles to foreign markets, according to Zhang Shule, an analyst with CBJ Think Tank. The trend follows the years-long effort of both Tencent Holdings and NetEase to expand the global reach of China’s video gaming sector. [Read More.](#)

China Announces Work Plan to Open Up Service Sector, Support Telecom, Data, and Gaming Industries: On Monday, China’s State Council Information Office held a press conference to introduce a new Work Plan aimed at expanding the opening-up of the service sector. Ling Ji, Vice Minister of Commerce of China, stated that the Work Plan includes several pilot measures in the telecommunications sector, such as the removal of foreign ownership restrictions on app store and internet access services. It also aims to encourage the development of the data labeling industry, improvement of the data trading market system, and the growth of new business models such as “data outsourcing processing.” [Read More.](#)

Tencent Music in Talks to Buy China's Ximalaya for \$2.4 Billion, Bloomberg News Reports: Tencent Music Entertainment Group (1698.HK), opens new tab is in advanced talks to buy China's largest online audio platform, Ximalaya Inc (XIMA.N), opens new tab, for \$2.4 billion, Bloomberg News reported on Friday, citing sources. Tencent Music, controlled by Chinese tech giant Tencent Holdings (0700.HK), opens new tab, is planning to use a combination of cash and shares for the acquisition, the agreement for which was likely to be reached in the coming weeks, Bloomberg reported. [Read More.](#)

China Film Consumption Year: Cinema-inspired On-board Entertainment Gains Momentum in China: The 15th Beijing International Film Festival is in full swing. This young film festival is already gaining prestige and momentum as being one of the most watched annual film gatherings in the country where industry professionals rub shoulders and new talents often get their big break. [Read More.](#)

¹ The Bund is a historic waterfront area in central Shanghai, where Morgan Creek’s office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

² Source: ‘Black Myth: Wukong’ earns 7 bln yuan in 100 days, <https://www.globaltimes.cn/>, Nov 29, 2024

³ Source: Black Myth: Wukong - behind the numbers on the phenom!, <https://newsletter.gamediscover.co/>, Aug 22, 2024

⁴ NGA: National Gaming Association

⁵ Source: 2022 Epic White book, 2022

⁶ Source: SteamSpy Database

⁷ Source: NVIDIA 2024 Q3 report

⁸ Source: Black Myth: Wukong Was a Massive Sales Success on PS5,<https://gamerant.com/>, Feb 24, 2025

⁹ Source: Graphics card sales soar! Black Myth's popularity has triggered a computer installation boom, Gamersky, Aug 21, 2024

¹⁰ Source: Jingcheng Government report, Sep 16, 2024

¹¹ Source: Chongqing Municipal People’s Government, Oct 18, 2024

¹² Source: Luckin Coffee and Huayi’s stock price limit up: Black Myth: Wukong’s huge traffic moment, Wall Street News, Aug 20, 2024

¹³ Source: Alimama Database

¹⁴ Source: China's Gaming Market: Iteration, Competition and Policy, Xingye Securities, Mar 15, 2025

¹⁵ Source: List of largest video game companies by revenue,<https://en.wikipedia.org/>

¹⁶ Source: CNG Database

¹⁷ Source: CNNIC Database, Statista Database

¹⁸ Source: 2023 China Gaming Industry Report, China Audio And Video And Numeral Publishing Association, Dec 15, 2023

¹⁹ Source: 2023 China Gaming Industry Report, China Audio And Video And Numeral Publishing Association, Dec 15, 2023

²⁰ Source: 2024 August Report, <https://trendinsight.oceanengine.com/>, Aug 3, 2024

²¹ Note: RPG stands for a game where players take on the role of a fictional character and make decisions as that character, often within a narrative or story; Source: SteamSpy Database

²² Source: HowLongToBeat

²³ Source: Realis’ 2024 Interim Report

²⁴ Source: The value of the gaming industry has been recognized, which is expected to boost confidence and valuation of the sector, CITIC Securities, Jan 17, 2025

Important Disclosures

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