

IPO FACT SHEET
Zengame Technology Holdings Limited (2660)
ISSUE STATISTICS

Offer Size:	HK\$201.6m - HK\$237.6m
Placement Tranche:	180m
Price:	HK\$1.12-HK\$1.32
Board lot:	2,000
Entry fee:	HK\$2,666.60
Historical PE	9.06-10.68x
Net tangible asset per share:	HK\$0.47-HK\$0.50
Market Cap (post-IPO):	HK\$1,120m- HK\$1,320m
Open:	03 Apr 2019
Close:	12.00 noon on 9 Apr 2019
Trading:	16 Apr 2019
Sponsor:	Guotai Junan Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	459,724	36.0%
2018	554,950	20.7%
Profit for the year		
2017	66,396	64.3%
2018	108,809	63.9%

BACKGROUND

- They are an established mobile game developer and operator in the PRC with special focus on card and board and other casual mobile games.
- According to the Frost & Sullivan Report, they were the fifth largest player in the card and board mobile game market in the PRC in terms of revenue in 2017 with a market share of approximately 4.0%, and they ranked fourth in the card and board mobile game market in the PRC by average MAU of their card and board games in 2017, with estimated average MAU of approximately 21.6 million.
- Their signature card game series, Fight the Landlord (鬥地主), ranked third among all Fight the Landlord mobile games in the PRC in terms of average MAU in 2017, with an estimated average MAU of approximately 17.3 million.
- Their Fight the Landlord card game series contributed approximately RMB285.2 million, RMB427.9 million and RMB420.7 million for the years ended December 31, 2016, 2017 and 2018, respectively, representing approximately 84.4%, 93.1% and 75.8% of their total revenue for the respective periods.
- According to the Frost & Sullivan Report, card and board mobile games usually have longer life cycles due to their existing large and stable player base in the real world and the nature of traditional card and board games that have fixed gameplay rules with which players are familiar.

BUSINESS STRATEGY AND FUTURE PLANS

- Build and strengthen their portfolio of games and expand their business scale.
- Further strengthen their operating capabilities.
- Strengthen their human resources with targeted recruitment.
- Enhance monetization of their player base.
- Pursue acquisition and strategic cooperation opportunities.
- Explore opportunities to expand into overseas markets.

COMPETITIVE STRENGTHS

- Established mobile game developer and operator with a large player base in card and board and other casual games.

- Management team with extensive experience in developing and operating a leading online card and board and casual game platform with a large player base.
- Established strong relationships with leading mobile phone manufacturers and telecommunications carriers.
- Integrated mobile game platform development and operating capabilities.
- Strong monetization capabilities driven by data analytics.

KEY RISKS

- They derived a majority of their revenue over the Track Record Period from their signature game Fight the Landlord and a majority of their revenue was contributed by the sale of game beans. Their revenue could decline significantly if this game loses popularity among their players or if game beans are no longer attractive to their players.
- They cannot guarantee that PRC laws and regulations about virtual currency and anti-gambling will not be interpreted in ways that could affect their business.
- Prolonged suspension in the approval and registration process of new online games by the PRC government may adversely affect their business in the long run.
- PRC laws regulating players' age and the playing time of online games may adversely affect their business and operations.
- If they fail to develop and successfully launch new games to expand their revenue sources, their business may be materially and adversely affected.
- If they fail to retain and increase their player base or if they lose user loyalty, their business and growth may not be sustainable.
- They rely on various game distribution platforms to distribute their games, and their business may be materially and adversely affected if they are unable to maintain their relationship with them, if such distribution platforms lose popularity among Internet users or if access to them is limited by laws and regulations.
- They rely on a small portion of their total players for a significant majority of their revenue, and may not be able to monetize their users effectively.

DIVIDEND POLICY

- They currently expect their dividend pay-out ratio to be in the range of 20.0% to 30.0% after the Listing.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used to strengthen their research and development capabilities.	62.90	35.2%
Will be used to fund promotional and marketing activities.	54.00	30.2%
Will be used to acquire other card and board and casual mobile game developers and companies whose business that supplement theirs.	27.00	15.1%
Will be used to fund their expansion to overseas markets.	18.10	10.1%
Will be used for working capital and general corporate purposes.	16.80	9.4%
Total:	178.80	100.00%

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