Ruicheng (China) Media Group Limited
瑞誠(中國)傳媒集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1640)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

On 24 July 2024 (after trading hours of the Stock Exchange), the Vendors and the Company entered into the Agreement, pursuant to which the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares for a total Consideration of HK$82,600,000.00 (subject to adjustment), which shall be settled partially by the allotment and issue of the Consideration Shares and partially by payment of cash which can be adjusted.

Upon Completion, the Company will legally and beneficially own the entire issued share capital of the Target Company, and the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the Target Company will be accounted as a subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Completion is conditional upon the satisfaction or, if applicable, waiver of the respective conditions precedent set out in the Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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THE AGREEMENT

The key terms of the Agreement are as follows:

Date: 24 July 2024 (after trading hours of the Stock Exchange)

Parties:

(i) Vendor A as one of the Vendors;

(ii) Vendor B as one of the Vendors; and

(iii) The Company as the Purchaser.

Each of the Vendors is a merchant residing in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors are Independent Third Parties.

Asset to be acquired

Pursuant to the terms of the Agreement, the Company has conditionally agreed to purchase at the Consideration, and the Vendors have conditionally agreed to sell the Sale Shares, which is 10,000 shares in the Target Company (an investment holding company incorporated in Hong Kong with limited liability) and, as at the date of this announcement, the Target Company is owned as to 8,000 shares (being 80% of the entire issued share capital of the Target Company) by Vendor A and 2,000 shares (being 20% of the entire issued share capital of the Target Company) by Vendor B.

Consideration

The Consideration, which is the initial consideration for the Sale Shares, being HK$82,600,000.00 shall be paid by the Purchaser to the Vendors in the following manners:

(i) HK$48,000,000.00 shall be settled by allotment and issue of 80,000,000 Consideration Shares to the Vendors at the issue price of HK$0.60 per Consideration Share on Completion Date; and

(ii) HK$34,600,000.00 shall be settled in cash pursuant to the terms and conditions as set out in the section headed "Consideration Adjustment" in this announcement.

Accordingly, on the assumption that there is no other change in the issued share capital of the Company from the date of this announcement up to the Completion (other than the issue of the Consideration Shares), Vendor A will beneficially own 64,000,000 Shares (representing approximately 13.33% of the entire issued share capital as at the date of this announcement and approximately 11.43% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares) and Vendor B shall beneficially own 16,000,000 Shares (representing approximately 3.33% of the entire issued share capital as at the date of this announcement and approximately 2.86% of the issued share capital as enlarged by the allotment and issue of the Consideration Shares) upon Completion.

The Consideration was determined after arm's length negotiation between the Vendors and the Purchaser on normal commercial terms with reference to:

(i) the appraised market value of the Sale Shares (representing 100% of the entire issued share capital in the Target Company) as at the Valuation Benchmark Date in the amount of HK$82,622,000.00 in the Valuation Report issued by the Independent Valuer; and

(ii) other benefits to be derived by the Group from the Acquisition as stipulated in the section headed "**Reasons for and benefits of the Acquisition**" below.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged the Independent Valuer for the Valuation on the Sale Shares.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no relationship or interest exists between the Independent Valuer and any members of the Group, or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to the independence of the Independent Valuer.

Apart from normal professional fees payable to the Independent Valuer in connection with the Valuation of the Sale Shares, no arrangement exists whereby the Independent Valuer will receive any fees or benefits from any members of the Group, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, and it is not aware of the existence of or change in any circumstances that would affect their independence. The Independent Valuer has confirmed to the Company of their independence. Accordingly, the Directors considered that the Independent Valuer are eligible to independently perform the Valuation.

Selection of valuation approach and details of the valuation of the Target Group

As at the Valuation Benchmark Date, the appraised value under the Valuation carried out by the Independent Valuer was HK$82,622,000.00. The Board understands that the Independent Valuer has considered all commonly adopted valuation approaches in the market (namely the income approach, the market approach and the asset-based approach) for the purpose of determining the valuation of the Target Group and eventually adopted the market approach to estimate the value of the Target Group, with detail of the approach's selection set out below.

Assumptions of the Valuation

Details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

General assumptions

The Independent Valuer has made certain key assumptions in the Valuation, which, to the Directors' best information and knowledge, are consistent with market practice and information available to the Company, including but not limited to:

1. the current political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions which prevail in the regions in which the Target Company are being operated will have no material adverse change;

2. competent management, key personnel and technical staff will be available to support the ongoing operation of the Target Company;

3. all relevant legal approvals, business certificates, trade permits have been procured, in place and in good standing prior to commencement of operations by the Target Company under the normal course of business; and

4. the information regarding the Target Company provided is true and accurate.

Specific Assumptions

Valuation methodology

In the Valuation, after comparing the common valuation methods including asset approach, income approach and market approach, the Independent Valuer adopted the market approach for the following reasons:

1. The asset approach refers to a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. The asset approach was considered unsuitable as the Target Company has commenced its operation since 2019 with track record of significant transaction volume on its platform. Its solid record of revenue and gross merchandise value makes it not easily replaced or reproduced from market participants' perspective. Also, it is not practical to recreate the asset of the Target Company quickly with substantially the same utility.

2. The income approach refers to a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount. The income approach was considered unsuitable as income projection is primarily adopted to value a business with stable profit record with low projection uncertainty. Given that the Target Company has yet to record any profits, any business projection would generally take into account various management assumptions with high projection uncertainty (e.g. operating and financing assumptions, capital expenditure and working capital, synergy, etc). The income approach will not be adopted if other viable approach (i.e. market approach) supported with more objective market evidence is available.

3. The market approach refers to a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have previously been sold. Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another. The market approach was adopted as it reflects the market participants' current assessment on the Target Company without material management assumptions on projections. It is particularly useful to apply to the Target Company's platform business with solid track record of revenue and transaction volume.

Based on the above reasons, the Independent Valuer has adopted the market approach. Under the market approach, two methods are considered for the Target Company without having its recent transaction prices, being (i) Guideline Publicly-traded Comparable Method, which utilizes information on publicly-traded companies that are similar to the subject asset, and (ii) Comparable Transactions Method, which utilizes information on transactions involving similar assets to the subject asset. Upon an exhaustive search on a best effort, the Independent Valuer has identified 3 comparable transactions with sufficient and reliable financial information disclosed but has not identified sufficient publicly-traded comparable companies. Thus, the Independent Valuer has adopted the Comparable Transactions Method under the market approach to determine the value of the Target Company.

Having considered (i) the rationale of the Independent Valuer in selecting market approach over cost approach and income approach as the appropriate valuation approach; (ii) the Comparable Transactions Method was adopted for the observed 3 comparable transactions upon an exhaustive search on a best effort basis, and (iii) that the Valuation was prepared by the Independent Valuer in accordance with the applicable requirements and standards, the Board is of the view that the adoption of market approach for the Valuation is fair and reasonable.

The Directors also agree with the Independent Valuer that the market approach has the benefits of simplicity, clarity, speed and the need for fewer assumptions. It also introduces objectivity in application as publicly available inputs are used.

Comparable Transactions

In the course of valuing the Target Company pursuant to the Comparable Transactions Method, the Independent Valuer has taken into account the Price-to-Revenue ("**P/S**") ratio multiple, which is the most appropriate multiple for evaluating business with track record of revenue but no recorded profits. The Independent Valuer has also considered but rejected Price-to-Book and Price-to-Earnings ratio multiples, as (i) the ecommerce industry is typically valuable for the companies' transaction volume and intangible assets (often not captured by the book) and (ii) information on positive earnings is not relevant for the Target Company and the 3 Comparable Transactions identified below.

The Independent Valuer has selected following 3 comparable transactions (‘‘Comparables’’) based on the following five criteria on an exhaustive basis to the Valuer’s best effort.

1. Business of the acquiree: Provision of transaction platform for pre-owned consumer electronics products

2. Product: Pre-owned “3C” electronic products, primarily being pre-owned mobile phones (communication), PC and tablets (computer) and related consumer electronics.

3. Location of operation: Mainland China

4. Date of transaction: Approximately recent 3 years up to June 2024

5. Publicly available transaction information for a prudent, verifiable and supported valuation analysis

The following 3 Comparables are identified accordingly.

#	Comparable Transactions	Time
1	ShanH Technology’s Series D-1 funding round in 2024 *(Note 1)*	February 2024
2	Zhuanzhuan’s Series D funding round in 2021 *(Note 2)*	June 2021
3	ATRenew Inc.’s IPO round, with listing of ADR on US Nasdaq in 2021 *(Note 3)*	June 2021

Note 1: In February 2024, ShanH Technology Limited reported to have raised 2.33% Series D-1 shares for USD 8 million, as a pre-IPO funding round before its listing application on the HKEx.

Note 2: In June 2021, Zhuanzhuan reported to have raised its Series D for USD 100 million, following its US$ 1.8 billion implied valuation from its 2020 merger and a Series C for USD 390 million in early 2021.

Note 3: In June 2021, ATRenew Inc. had its American Depositary Shares successfully listed on US Nasdaq with gross proceed of US$ 254 million (US$ 14.00 per ADR share, 18,110,000 ADR shares based on Bloomberg, each three ADRs represent the right to receive two class A common shares).

The following P/S are derived from the 3 Comparables. To arrive at a robust result, we have adopted the most prudent observations possible in the public domain on the transactions' revenue and implied valuation.

#	Acquiree	Revenue (RMB)	Valuation (RMB)	P/S Ratio
1	ShanH Technology	1,053,949,000 *(Note 1)*	2,412,000,000 *(Note 2)*	2.29x
2	Zhuanzhuan	14,800,000,000 *(Note 3)*	14,182,622,000 *(Note 4)*	0.95x
3	ATRenew	13,745,000,000 *(Note 5)*	3,855,000,000	0.28x

Note 1: Recent trailing-twelve-month revenue available before Series D-1.

Note 2: Implied pre-money valuation based on Series D-1's 2.33% dilution on USD 8 million proceeds.

Note 3: Recent information on high end proxy of revenue before Series D (thus the P/S ratio so derived is the most prudent).

Note 4: Implied Series D pre-money valuation after its 2020 merger and Series C.

Note 5: ATRenew had a recent trailing-twelve-month revenue of about RMB 6.3 billion and a pre-money valuation of RMB 18.8 billion at its 2021 listing for USD 254 million capital, initially implying a P/S of 2.98x. Its valuation has subsequently dropped to a recent P/S of 0.28x as of 30 June 2024, based on latest revenue of RMB 13.7 billion and market capitalisation of RMB 3.9 billion. For prudence, we take the lower P/S observation of 0.28x from ATRenew.

The Independent Valuer, in arriving at the estimated valuation, selected the P/S Ratio of 0.95 times, being the median of the Comparables. The estimated result is directly taken as the valuation conclusion.

As a further reasonableness check, the Independent Valuer has also conducted market research on other market transactions, which failed at least one of the five stated screening criteria (all of these transactions are rejected due to product incomparability or different location of operation). The Independent Valuer has observed that the majority of these transactions have their P/S ratios higher than 1.00 times. As such, despite the perceived incomparability, the market research broadly confirms the reasonableness of the P/S Ratio of 0.95 times derived from the 3 Comparables.

The Directors are of the view that the Comparables identified by the Independent Valuer was sufficient to determine the benchmark multiple. It is fair and reasonable to assess the value of the Target Company with reference to the P/S multiples of the Comparable.

Taking into account the internal resources of the Group and the market value of the Target Group as appraised by the Independent Valuer discussed above, the Directors are of the view that the Consideration is fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

General Mandate, Consideration Shares and the Issue Price

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 80,000,000 Shares, representing 20% of the issued share capital of the Company as at the date on which the General Mandate was granted. As at the date of this announcement, no Share has been issued and allotted under the General Mandate. Accordingly, the allotment and issuance of the Consideration Shares is not subject to Shareholders' approval.

As at the date of this announcement, the Company has 480,000,000 Shares in issue. The 80,000,000 Consideration Shares being issued and allotted to the Vendors, being part of the Consideration, represent approximately 16.67% of the existing issued share capital of the Company as at the date of this announcement and approximately 14.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company from the date of this announcement to the Completion Date, other than the issue of the Consideration Shares). The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue.

Regarding the issue price of HK$0.60 per Consideration Share, it represents:

(i) a discount of approximately 17.81% to the closing price of HK$0.73 per Share as at the date of the Agreement; and

(ii) a discount of approximately 19.79% over the average closing price of HK$0.748 per Share for the last five trading days up to and including the Last Trading Date.

The total nominal value of the Consideration Shares is HK$800,000.00.

The issue prices were arrived at after arm's length negotiations between the parties to the Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon satisfaction or waiver (if applicable) of, among other things, the following key conditions precedent:

(i) the Purchaser having obtained approval from its Board on the Acquisition;

(ii) the Purchaser, the Vendors and the Target Company having obtained by necessary approval(s), consent(s) and permits(s) for the Agreement and the transactions contemplated thereunder, and each of the Vendors and the Purchaser having complied with any applicable laws and regulations with respect to the entering into of the Agreement and the transactions contemplated thereunder;

(iii) the Stock Exchange having approved the allotment, issue and listing of, and permission to deal in, the Consideration Shares, and such approval has not been revoked on the Completion Date;

(iv) none of the warranties or terms of the Agreement having been breached by the Vendors, or being untrue or inaccurate or misleading;

(v) the Target Group maintaining all licenses and registration necessary to carry on its principally engaged businesses and reflect its ownership in its assets;

(vi) no changes to the responsible person(s) of the subsidiaries of the Target Company from the date of the Agreement up to the Completion Date;

(vii) no material adverse changes to the Target Group from the date of the Agreement.

The conditions set out in (i), (ii), (iii) and (v) above are not capable of being waived by any party to the Agreement. The Purchaser may in its absolute discretion waive by notice in writing the conditions set out in (iv), (vi) or (vii) above.

If the conditions have not been fulfilled (or waived by the Purchaser as the case may be) on or before 31 August 2024, or such later date as the Vendors and the Purchaser may agree, the Agreement shall cease and neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Consideration Adjustment

Part of the Consideration in an amount of HK$34,600,000.00 shall be settled in cash and is subject to adjustment as set out below.

Pursuant to the Agreement, the Vendors jointly and severally guarantee to the Purchaser that, among others, the audited net profit before tax of the Target Group for the three years ending 31 December 2026 (the "**Guarantee Period**") will be no less than HK$70,000,000.00 in aggregate (the "**Ultimate Performance Target**"), details of which are as follow:

(i) the audited net profit before tax of the Target Group for the year ending 31 December 2024 will not be less than HK$5,000,000.00 (the "**2024 Performance Target**");

(ii) the audited net profit before tax of the Target Group for the year ending 31 December 2025 will not be less than HK$25,000,000.00 (the "**2025 Performance Target**");

(iii) the audited net profit before tax of the Target Group for the year ending 31 December 2026 will not be less than HK$40,000,000.00 (the "**2026 Performance Target**").

The Vendors jointly and severally further guarantee that:

(i) the audited accounts of the Target Group for the year ending 31 December 2024 will be circulated to the Purchaser no later than 31 March 2025. If the 2024 Performance Target is satisfied, the Purchaser will provide written confirmation to the Vendors confirming the satisfaction of the 2024 Performance Target within ten (10) business days from the date of receipt of the relevant audited accounts, and will within five (5) business days from the date of the abovementioned written confirmation, pay to the Vendors an amount of HK$14,600,000.00 in cash (correspondingly, Vendor A will receive HK$11,680,000.00 and Vendor B will receive HK$2,292,000.00);

(ii) the audited accounts of the Target Group for the year ending 31 December 2025 will be circulated to the Purchaser no later than 31 March 2026. If the 2025 Performance Target is satisfied, the Purchaser will provide written confirmation to the Vendors confirming the satisfaction of the 2025 Performance Target within ten (10) business days from the date of receipt of the relevant audited accounts, and will within five (5) business days from the date of the abovementioned written confirmation, pay to the Vendors an amount of HK$10,000,000.00 in cash (correspondingly, Vendor A will receive HK$8,000,000.00 and Vendor B will receive HK$2,000,000.00);

(iii) the audited accounts of the Target Group for the year ending 31 December 2026 will be circulated to the Purchaser no later than 31 March 2027. If the 2026 Performance Target is satisfied, the Purchaser will provide written confirmation to the Vendors confirming the satisfaction of the 2026 Performance Target within ten (10) business days from the date of receipt of the relevant audited accounts, and will within five (5) business days from the date of the abovementioned written confirmation, pay to the Vendors an amount of HK$10,000,000.00 in cash (correspondingly, Vendor A will receive HK$8,000,000.00 and Vendor B will receive HK$2,000,000.00).

The Vendors also jointly and severally guarantee that, if any of the audited accounts of the Target Group for each of the three years ending 31 December 2026 cannot be provided by the time stipulated or any of the performance target for each of the three years ending 31 December 2026 is not satisfied, payment of the cash portion of the Consideration for the corresponding financial year will be withheld/cancelled (as the case may be). The mechanism are detailed as follow:

(i) any amount of the audited profit before tax for a particular financial year during the Guarantee Period in excess of the performance target of that particular financial year will be reserved and counted in the next financial year for the assessment of the satisfaction of performance target (such amount exceeded will not, in any event, trigger an earlier payment of the portion of Consideration in cash payable in the subsequent year);

(ii) if a loss before tax is recorded in a particular financial year during the Guarantee Period, such loss will reduce audited profit before tax for the next financial year for the assessment of the satisfaction of performance target. The performance target of the relevant year recorded with loss is considered unsatisfied and cash payment will be withheld;

(iii) if the audited profit before tax of the Target Group for the three years ending 31 December 2026 of HK$70,000,000.00 in aggregate is eventually achieved, any cash portion of the Consideration not paid during the Guarantee Period will be paid to the Vendors (the Purchaser will provide written confirmation to the Vendors confirming the satisfaction of the Ultimate Performance Target within ten (10) business days from the date of receipt of the audited accounts of the Target Group for the year ending 31 December 2026, and will pay the said Consideration within five (5) business days from the date of the abovementioned written confirmation);

(iv) if the audited profit before tax of the Target Group for the three years ending 31 December 2026 is less than HK$70,000,000.00 in aggregate, any withholding cash portion of the Consideration will be cancelled and the Consideration will be adjusted downwards by such amount cancelled; and

(v) if the audited profit before tax of the Target Company for all of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 cannot meet the corresponding performance target, no cash portion of the Consideration will be payable and the Consideration will be adjusted downwards to HK$48,000,000.00, being the portion settled by allotment and issue of 80,000,000 Consideration Shares.

Completion

The Completion shall take place on the Completion Date upon all conditions precedent set out in the Agreement are satisfied or waived (as the case may be).

Upon Completion, the Company will legally and beneficially own the entire issued share capital of the Target Company, and the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the Target Company will be accounted as a subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

INFORMATION OF THE VENDORS

Each of the Vendors is a merchant residing in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors are Independent Third Parties.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and owned as to 80% by Vendor A and 20% by Vendor B. The Target Company is principally engaged in investment holding and directly owns 100% of 海南切客科技有限公司 (Hainan Qieke Technology Company Limited*), a wholly foreign-owned enterprise established in the PRC with limited liability, which in turn directly owns (i) 100% of the equity interest in 深圳市分毫科技有限公司 (Shenzhen Fenhao Technology Company Limited*) ("**Shenzhen Fenhao Tech**"); and (ii) 99.9% of the equity interest in 杭州視研科技有限公司 (Hangzhou Shiyan Technology Company Limited*), which is dormant as at the date of this announcement.

Shenzhen Fenhao Tech is a company established in the PRC with limited liability, and it is principally engaged in the operation of the mobile application owned by it, being an e-commerce platform for the transactions of second-hand computer, communication and consumer electronic products and gadgets ("**3C Products**").

Financial Information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024:

	Six months ended 30 June	**Years ended 31 December**	
	2024	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	59,760	45,628	43,780
Loss before tax	(91)	(3,445)	(3,790)
Loss after tax	(98)	(3,445)	(3,790)

The unaudited net asset value of the Target Group as at 30 June 2024 was approximately RMB71.7 million (equivalent to approximately HK$77.9 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is an investment holding company incorporated in Hong Kong with limited liability, and the operating subsidiaries of which are principally engaged in (i) advertising and brand management; (ii) operation of e-commerce platform for 3C Products; and (iii) software development.

The Group is principally engaged in the provision of advertising services in the PRC. Having considered (i) the opportunity to tap into the 3C products trading business; (ii) acquisition of a well-established e-commerce platform owned by the Target Group as a proprietary medium to enhance the Group's advertising services; and (iii) enhancement of the Group's revenue stream, the Directors consider that the Acquisition provides an excellent opportunity for the Group to strengthen its advertising business and diversify revenue stream.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Group and the accounts of the Target Group will be consolidated into the financial statements of the Group. The Group intends to fund the cash consideration for the Acquisition principally by internal resources. By satisfying part of the Consideration with the allotment and issue of the Consideration Shares at the issue price of HK$0.60 with reference to prevailing market price of the Shares, the immediate burden to the Company's financial resources can be reduced since the issue of the Consideration Shares lowers the cash amount required to be paid by the Group for the Consideration upon Completion, thereby alleviating the immediate material cash outflow pressure on the Group, safeguarding its imminent financial position. Moreover, the adjustment mechanism of the cash portion of the Consideration payable will provide an upside potential to the Vendors as an incentive to consummate the Acquisition and to facilitate the future development of the Group.

Last but not least, in view of the favourable track record in terms of the key financial metric stipulated in the sub-section headed "Financial information of the Target Group" above, especially as reflected by the revenue recorded for the six months ended 30 June 2024, the Company believes that the Acquisition will be a meaningful step in realizing the Group's strategy of creating greater value for the Shareholders and also further strengthening the industry position of the Group.

On the basis of the foregoing, the Directors are of the view that the terms of the Agreement and the transactions contemplated thereunder, which have been agreed after arm's length negotiations, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS OF COMPLETION ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and upon Completion are set out as follows:

Shareholders	As at the date of this announcement		Immediately upon Completion	
	No. of Shares	*%*	*No. of Shares*	*%*
Yingheng Co. Ltd. *(Note 1)*	161,704,734	33.69	161,704,734	28.88
Youyi Co. Ltd. *(Note 2)*	25,246,606	5.26	25,246,606	4.51
Ruichengtianhe Co. Ltd.	26,284,188	5.48	26,284,188	4.69
Jing Gen Holdings Limited *(Note 3)*	14,781,639	3.08	14,781,639	2.64
Vendor A			64,000,000	11.43
Vendor B			16,000,000	2.86
Public Shareholders (other than the Vendors)	251,982,833	52.49	251,982,833	44.99
Total *(Note 4)*	480,000,000	100.00	560,000,000	100.00

Notes:

(1) Yingheng Co. Ltd. is wholly-owned by Ms. Wang Lei. Ms. Wang Lei is deemed, or taken to be interested, in all the Shares held by Yingheng Co. Ltd. for the purpose of the SFO;

(2) Youyi Co. Ltd. is owned as to approximately 53.38% by Ms. Wang Xin, an executive Director. Ms. Wang Xin and her spouse, Mr. Wei Chunlei are deemed, or taken to be interested, in all the Shares held by Youyi Co. Ltd. for the purpose of the SFO; furthermore, Youyi Co. Ltd. is owned as to approximately 46.62% by Mr. Wang Pingpin. Mr. Wang Pingpin and his spouse, Ms. Zhang Miao are deemed, or taken to be interested, in all the Shares held by Youyi Co. Ltd. for the purpose of the SFO;

(3) Mr. Leng Xuejun, an executive Director, is interested in 52.43% of Jing Gen Holdings Limited which holds 3.08% of the shareholding in the Company. Mr. Leng Xuejun is therefore deemed to be interested in the Shares held by Jing Gen Holdings Limited by virtue of the SFO; and

(4) Shareholders and public investors should note that the above shareholding percentages for shareholding have been rounded to two decimal places. Accordingly, the total percentage may not be equal to the apparent total percentage.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Consideration Shares will be issued under the General Mandate.

The Completion is conditional upon the satisfaction or, if applicable, waiver of the respective conditions precedent set out in the Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

The following words and phrases used in this announcement shall have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 24 July 2024 entered into between the Purchaser and the Vendors in respect of the Acquisition
"Board"	the board of Directors
"Business Day"	a day on which licensed banks in Hong Kong are generally open for normal banking business (other than Saturday, Sunday and public holiday)
"Company"/ "Purchaser"	Ruicheng (China) Media Group Limited (stock code: 1640), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of sale and purchase of the Sale Shares in accordance with the Agreement
"Completion Date"	a date which falls within ten (10) Business Days after the satisfaction or waiver (where applicable) of the conditions set out in the Agreement or such later date as may be agreed by the Vendors and the Purchaser
"connected person(s)"	has the same meaning as ascribed to it under the Listing Rules
"Consideration"	the initial consideration of the Acquisition being HK$82,600,000.00 borne by the Purchaser for the purchase of the Sale Shares, which will be partially settled by means of the allotment and issue of the Consideration Shares and partially settled by cash (subject to adjustment)
"Consideration Shares"	80,000,000 new Shares to be allotted and issued by the Company to the Vendors credited as fully paid at the issue price of HK$0.60 for the purpose of the settlement of part of the Consideration amounting to HK$48,000,000.00
"Director(s)"	the director(s) of the Company, from time to time

"General Mandate"	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 6 June 2024, which allowed the Directors to allot, issue and otherwise deal with up to 80,000,000 Shares, representing 20% of the total number of issued Shares as at the date on which such general mandate was granted
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
"Independent Valuer"	Valtech Valuation Advisory Limited, an Independent Third Party, engaged by the Company for the purpose of appraisal of the value of Sale Shares
"Last Trading Date"	23 July 2024, being the last trading day immediately before entering into the Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of PRC
"Sale Shares"	10,000 shares of the Target Company held as to 8,000 shares by Vendor A and as to 2,000 shares by Vendor B, representing the entire issued share capital of the Target Company as at the date of this announcement
"Share(s)"	the share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Charm Linkage Holdings Limited (創領集團有限公司), a company incorporated in Hong Kong with limited liabilities and wholly owned by the Vendors
"Target Group"	the Target Company and its subsidiaries

"Valuation"	the appraisal of the 100% of the issued share capital in the Target Company, being the Sale Shares, as at the Valuation Benchmark Date, as appraised by the Independent Valuer
"Valuation Benchmark Date"	30 June 2024, being the valuation reference date of the appraisal for the Sale Shares
"Valuation Report"	the valuation report dated 24 July 2024 issued by the Independent Valuer with respect to the Valuation
"Vendor A"	Ms. Li Ye, who is, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
"Vendor B"	Mr. Cong Peijin, who is, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
"Vendors"	collectively, Vendor A and Vendor B
"%"	per cent.

By Order of the Board of
Ruicheng (China) Media Group Limited
WANG Xin
Chairlady and Executive Director

Hong Kong, 24 July 2024

As at the date of this announcement, the executive Directors are Ms. Wang Xin, Mr. Leng Xuejun and Mr. Sun Changpeng and the independent non-executive Directors are Mr. Li Xue, Mr. Wu Ke and Mr. Niu Zhongjie.

For the purposes of this announcement, unless the context requires otherwise, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK$1 to RMB0.92. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

* *for identification purposes only*