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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
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

On 28 June 2024, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company at a consideration of RMB0.2 million subject to the terms of the Equity Transfer Agreement.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios in respect of the Disposal are higher than 5% but are all less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

INTRODUCTION

On 28 June 2024, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company at a consideration of RMB0.2 million subject to the terms of the Equity Transfer Agreement.

THE DISPOSAL

The principal terms of the Equity Transfer Agreement are set out below:

Date : 28 June 2024

Parties : (i) the Vendor as vendor; and
(ii) the Purchaser as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

The Equity Transfer

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company.

Consideration

The Consideration for the Disposal is RMB0.2 million, which is determined after arm's length negotiations between the Vendor and the Purchaser and taking into account the unaudited net loss position for the year ended 31 December 2023 and the unaudited net liabilities position as at 31 May 2024 of the Target Company. The Purchaser shall settle the Consideration in cash within three months of the date of the Equity Transfer Agreement.

Completion

Completion will occur upon payment of the Consideration by the Purchaser to the Vendor in accordance with the terms of the Equity Transfer Agreement. As at the date of this announcement, such payment has been made and Completion has taken place.

FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company, and its financial results and position are consolidated to the consolidated financial statements of the Company.

Immediately after Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results and financial position of the Target Company will cease to be consolidated to the consolidated financial statements of the Company after Completion. Further, all assets and liabilities of the Target Company will be derecognised.

Based on the existing information available to the Company, the expected gain arising from the Disposal to be recognised by the Group in its consolidated statement of profit or loss and comprehensive income is estimated at approximately RMB475,000, which is based on the difference between (i) the Consideration; and (ii) the net liabilities value of the Target Company as at 31 May 2024 of approximately RMB275,000.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The actual financial effect on the Group arising from the Disposal to be recorded in the Group's consolidated financial statements will be re-calculated based on the net liabilities value of the Target Company as at the date to which completion accounts are drawn up.

USE OF PROCEEDS

The Group intends to use the net proceeds from the Disposal as general working capital, thereby allowing the Group to reallocate its resources.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC. It is principally engaged in the provision of advertising services. As at the date of this announcement, the Target Company has no business operations.

The unaudited financial information of the Target Company for the two financial years ended 31 December 2022 and 2023 are as follows:

	For the year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	21,383	28,302
Net profit/(loss) before tax	2,698	(3,544)
Net profit/(loss) after tax	1,731	(2,762)

As at 31 May 2024, the unaudited net liabilities of the Target Company was approximately RMB275,000.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Company

The Company is an investment holding company incorporated in the Cayman Islands. The Group is principally engaged in the provision of television advertising services, online advertising services and outdoor advertising services, primarily within the domestic market.

The Vendor

The Vendor is a limited liability company incorporated in the PRC. It is an indirect wholly-owned subsidiary of the Company. It is the Company's principal operating subsidiary in the PRC and is principally engaged in the provision of television advertising services, online advertising services and outdoor advertising services.

The Purchaser

The Purchaser is a limited liability company incorporated in the PRC. It is principally engaged in providing advertisement agent and planning services, whose ultimate beneficial owner is Mr. Wang Biao (王彪). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As at the date of this announcement, the Target Company does not have any active and ongoing projects, nor does the Group foresee that it will be able to engage in any other advertising projects in the near future. The execution and planning of its previous completed projects were mostly supported by personnel of the Company's subsidiary located in Beijing. Having considered the foregoing, and (i) the unaudited net loss position of the Target Company for the year ended 31 December 2023; and (ii) the unaudited net liabilities position of the Target Company as at 31 May 2024, respectively, the Directors are of the view that the Disposal would provide an opportunity for the Group to refocus its manpower and resources to its subsidiary located in Beijing, being the Vendor. Furthermore, the Disposal is expected to allow the Company to save associated operating costs and improve its working capital position. Following the Completion, the Vendor being the Company's subsidiary in the PRC will take up residual business relationships (if any) of the Target Company therefore the Disposal is not expected to cause any material adverse impact to the Group's business operations. Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios in respect of the Disposal are higher than 5% but are all less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Board”	the board of Directors
“Company”	Ruicheng (China) Media Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1640)
“Completion”	completion of the Disposal in accordance with the terms of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration in the sum of RMB0.2 million for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interest in the Target Company by the Vendor to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 28 June 2024 entered into between the Vendor and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is not a connected person of the Company and is third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	Beijing Youlan Culture Media Co., Ltd.* (北京優嵐文化傳媒有限公司), a limited liability company incorporated in the PRC and an independent third party of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Kailun Advertising Co., Ltd.* (上海凱倫廣告有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company immediately prior to Completion
“Vendor”	Beijing Ruicheng Advertising Co., Ltd.* (北京瑞誠廣告有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

In this announcement, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “percentage ratio(s)” and “subsidiary(ies)”, shall have the meaning given to such terms in the Listing Rules.

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

Hong Kong, 28 June 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 identification purpose only*