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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Ruicheng (China) Media Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 October 2019 in relation to the Global Offering (the “**Prospectus**”) and the announcement of the Company dated 11 November 2019 in relation to, among other things, the Offer Price and the allotment results (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meaning as defined in the Prospectus and the Announcement.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the section headed “Net Proceeds from the Global Offering” in the Announcement, the Company intended to apply and utilise the net proceeds from the Global Offering of approximately HK\$78.8 million (the “**Net Proceeds**”) as follows:

- approximately 47.7%, or HK\$37.6 million, to enhance the Group’s market position in TV advertising through strengthening its financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources;
- approximately 30.0%, or HK\$23.6 million, to further develop the Group’s online advertising business;
- approximately 12.3%, or HK\$9.7 million, to further develop the Group’s outdoor advertising business; and
- approximately 10.0%, or HK\$7.9 million, to strengthen the Group’s strategy formulation and data analytical capabilities and enhance its reputation in the market.

As at the date of this announcement, the Group has utilised approximately HK\$58.6 million, representing approximately 74.4% of the Net Proceeds as follows:

Intended use of Net Proceeds	Original approximate percentage of Net Proceeds as stated in the Prospectus	Actual amount of Net Proceeds (HK\$ million)	Actual amount utilised up to the date of this announcement (HK\$ million)	Unutilised amount of Net Proceeds as at the date of this announcement (HK\$ million)
Enhancing the Group's market position in TV advertising through strengthening its financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources	47.7%	37.6	33.3	4.3
Further developing the Group's online advertising business	30.0%	23.6	16.7	6.9
Further developing the Group's outdoor advertising business	12.3%	9.7	8.6	1.1
Strengthening the Group's strategy formulation and data analytical capabilities and enhance its reputation in the market	10.0%	7.9	–	7.9
	<u>100.0%</u>	<u>78.8</u>	<u>58.6</u>	<u>20.2</u>

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$20.2 million (the “**Unutilised Net Proceeds**”). The Board having considered the business environment and development of the Group (in particular the recent cancellation of the Parent-child Variety Show as a result of the outbreak of the coronavirus in the PRC (the “**Outbreak**”), resolved to change the use of the Unutilised Net Proceeds. The table below sets forth the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the Unutilised Net Proceeds:

Intended use of Net Proceeds	Original approximate percentage of Net Proceeds as stated in the Prospectus	Revised approximate percentage of Net Proceeds	Unutilised amount of Net Proceeds up to the date of this announcement (HK\$ million)	Revised allocation of Unutilised Net Proceeds (HK\$ million)
Enhancing the Group’s market position in TV advertising through strengthening its financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources	47.7%	42.2%	4.3	–
Further developing the Group’s online advertising business	30.0%	30.0%	6.9	6.9
Further developing the Group’s outdoor advertising business	12.3%	12.3%	1.1	1.1
Strengthening the Group’s strategy formulation and data analytical capabilities and enhance its reputation in the market	10.0%	10.0%	7.9	7.9
General working capital purpose	–	5.5%	–	4.3
	<u>100.0%</u>	<u>100.0%</u>	<u>20.2</u>	<u>20.2</u>

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the Prospectus, the Company intends to use approximately 5.5% of the Net Proceeds to purchase the exclusive right to deal with the soft-sell TV advertising resources in the Parent-child Variety Show. Nonetheless, in light of the recent Outbreak, relevant PRC authorities have promulgated policies requiring the temporary closure of premises where crowds gather, which resulted in the suspension of in-studio and on-location shooting and filming activities. Further to negotiations with the TV station in Beijing (the “**TV Station**”) with which we contract and co-operate with for such soft-sell TV advertising rights, the Group understands that it is the mutual intention of the Group and the TV Station to terminate the Parent-child Variety Show and expects to enter into an agreement with the TV Station to terminate the co-operation related to the Parent-child Variety Show. The Net Proceeds originally allocated for the purpose of this show, being approximately HK\$4.3 million, will be reallocated for the Group’s general working capital purpose. The Board will continue to assess the impact of the Outbreak on the Group’s operation and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the Outbreak.

For the avoidance of doubt, the Group intends to continue to utilise all other Unutilised Net Proceeds in accordance with the plans of the Company as disclosed in the Prospectus and the Announcement.

The Board is of the view that the change in use of Net Proceeds would not materially affect the business of the Group as a whole, and would meet the financial needs of the Group more efficiently with regard to the latest development of the Group’s business operations. The Board believes that the above change is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group, and that such flexibility in financial management is in the interest of the Company and its Shareholders as a whole. The Board also confirms that there is no material change in the principal business of the Group as set out in the Prospectus.

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

Hong Kong, 24 February 2020

As at the date of this announcement, the executive Directors are Ms. Li Na, Mr. Feng Xing, Ms. Wang Xin and Mr. Leng Xuejun, and the independent non-executive Directors are Mr. Zhao Gang, Mr. Li Xue and Mr. How Sze Ming.