

**IPO FACT SHEET**
**Ruicheng (China) Media Group Limited (1640)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$125m – HK\$175m
<b>Placement Tranche:</b>	100m
<b>Price:</b>	HK\$1.25 – HK\$1.75
<b>Board lot:</b>	2,000
<b>Entry fee:</b>	HK\$3,535.27
<b>Historical PE</b>	9.67x – 13.53x
<b>Net tangible asset per share:</b>	HK\$0.48 – HK\$0.59
<b>Market Cap (post-IPO):</b>	HK\$500m – HK\$700m
<b>Open:</b>	31 Oct 2019
<b>Close:</b>	12.00 noon on 5 Nov 2019
<b>Trading:</b>	12 Nov 2019
<b>Sponsor:</b>	Dongxing Securities (Hong Kong) Company Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	660,612	111.0%
2018	783,364	18.6%
Profit for the year/period from continuing operations		
2017	37,740	139.4%
2018	46,623	23.5%

**BACKGROUND**

- The Group is an established advertising service provider in the PRC, primarily focusing on TV advertising services.
- Leveraging on their experience and expertise in TV advertising, they successfully diversified their service offerings to online and outdoor advertising services.
- With the strong strategy formulation and data analytical capabilities and in-depth industry experience of their Group, they are able to provide a wide range of advertising services including data analysis, marketing strategy planning, advertising solution formulation, sourcing of advertising resources, overall coordination and/or execution, and evaluation of the effectiveness of the advertisements..
- They are committed to offering tailor-made advertising solutions to their customers through formulating customised proposals based on their analysis of market and industry data, which could at the same time meet the budget and achieve the marketing objectives of their customers.
- Besides identifying and sourcing from the relevant suppliers, they are capable to monitor the execution and evaluate the effectiveness of the advertising solutions to ensure the effect of their advertising solutions could be maximised.
- They generally do not offer any advertising design services.
- The hard-sell TV advertisements are designed and produced by their customers or third-party production firms on their behalf, and for soft-sell TV and online advertising services, their advertising proposals may contain suggestions or ideas on advertising slogans, subtitles and scenes to be implanted in variety shows and TV series, and the advertising text and graphic to be placed in online advertisements, which is part of their customised advertising solutions offered..

**BUSINESS STRATEGIES**

- Enhance their market position as an established TV advertising service provider.
- enhance their capabilities as a multi-channel advertising service provider through strengthening their online advertising services (such as by developing content marketing in online platforms through cooperating with operators of online video platforms to assist customers in purchasing advertising rights in variety shows or TV series to be played on online video platforms) and outdoor advertising services.
- Strengthen their strategy formulation and data analytical capabilities.

#### COMPETITIVE STRENGTHS

- They are an established TV advertising media service provider in the PRC.
- They have established and maintained credible business relationships with renowned advertisers.
- They have established long-standing business relationships with their major suppliers, most of which are first-tier provincial satellite TV stations in the PRC.
- They have diverse service offerings which enable them to be a multi-channel advertising service provider.
- They have a strong strategy formulation and data analytical capabilities in providing tailor-made advertising solutions to their customers.
- They have a competent management team with experience and expertise in the advertising industry.

#### KEY RISKS

- They have concentrated customer base and the strong market positions of their major customers may limit their bargaining power when entering into contracts with these major customers.
- Their cash flow may deteriorate due to material payment delays by their customers which may negatively affect their business, financial position and results of operations.
- They have concentrated supplier base and any increases in cost of the advertising resources provided by their major suppliers could materially and adversely affect their results of operations, financial position and business prospects.
- They may experience fluctuations in the gross profit margin for their advertising services.
- Their business may be affected by seasonal fluctuation in demand for their advertising services of customers in different industries.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Enhance their market position in TV advertising through strengthening their financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources.	48.2	47.7%
Further develop their online advertising business.	30.4	30.0%
Further develop their outdoor advertising business.	12.4	12.3%
Strengthen their strategy formulation and data analytical capabilities and enhance their reputation in the market.	10.1	10.0%
<b>Total:</b>	<b>101.1</b>	<b>100.0%</b>

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