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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)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Ruicheng (China) Media Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2023 (the “**period under review**”), together with the comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	217,735	223,405
Cost of revenue		<u>(210,454)</u>	<u>(216,057)</u>
Gross profit		7,281	7,348
Other income, gains and losses	4	544	1,964
Selling and marketing expenses		(1,145)	(2,321)
Administrative expenses		(3,655)	(4,154)
Finance costs	5	(2,403)	(2,462)
Impairment losses of financial assets		<u>(503)</u>	<u>(4,462)</u>
Profit (loss) before tax		119	(4,087)
Income tax (expenses) credit	6	<u>(15)</u>	<u>654</u>
Profit (loss) and total comprehensive income (expense) for the period	7	<u>104</u>	<u>(3,433)</u>
Profit (loss) and total comprehensive income (expense) attributable to:			
– Owner of the Company		146	(3,401)
– Non-controlling interests		<u>(42)</u>	<u>(32)</u>
		<u>104</u>	<u>(3,433)</u>
EARNINGS (LOSS) PER SHARE			
– Basic and diluted (RMB)	8	<u>0.04 cents</u>	<u>(0.85) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at	
		30 June	31 December
		2023	2022
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property and equipment		323	343
Intangible assets		20	22
Deferred tax assets		10,658	10,532
		<u>11,001</u>	<u>10,897</u>
Current assets			
Trade receivables, prepayments and other receivables	10	378,490	426,262
Amounts due from related parties		226	211
Contract assets		152,185	131,714
Tax recoverable		53	–
Bank balances and cash		822	5,081
		<u>531,776</u>	<u>563,268</u>
Total assets		<u><u>542,777</u></u>	<u><u>574,165</u></u>

		As at	
		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	<i>13</i>	3,578	3,578
Reserves		202,828	202,682
		<hr/>	<hr/>
Equity attributable to the owners of the Company		206,406	206,260
Non-controlling interests		(178)	(136)
		<hr/>	<hr/>
Total equity		206,228	206,124
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>11</i>	125,709	212,450
Tax payable		–	148
Contract liabilities		38,156	38,259
Bank and other borrowings	<i>12</i>	142,684	87,184
		<hr/>	<hr/>
		306,549	338,041
		<hr/>	<hr/>
Non-current liabilities			
Other borrowings		30,000	30,000
		<hr/>	<hr/>
		30,000	30,000
		<hr/>	<hr/>
Total liabilities		336,549	368,041
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		542,777	574,165
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 General information

Ruicheng (China) Media Group Limited (the “Company”) was incorporated and registered as an exempted company in the Cayman Islands with limited liability under Companies Law of the Cayman Islands, on 15 January 2019 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 November 2019.

The address of the Company’s registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is 1602, 13/F, Building 7, No. 63 Xidawang Road, Chaoyang District, Beijing, the People’s Republic of China (the “PRC” or “China”).

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of advertising services in the PRC.

The condensed consolidated financial statements of the Group are presented in Renminbi (“RMB”), which is also the functional currency of the Company. The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

1.2 Basis of preparation

The Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (the “IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS(s)”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period financial beginning 1 January 2023 for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to IAS 1 and IFRS Practice Statement 2 IFRS 17 (including the June 2020 and December 2021 amendment to IFRS 17)	Disclosure of Accounting Policies Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior period and/or on the disclosures set out in these interim condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue of services nature

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Television (“TV”) advertising services		
– Hard-sell TV advertising services (<i>Note</i>)	99,237	67,287
Online advertising services	110,242	125,962
Outdoor advertising services	7,979	29,721
Other advertising services	277	435
	<u>217,735</u>	<u>223,405</u>
	<u><u>217,735</u></u>	<u><u>223,405</u></u>

Note: Hard-sell TV advertising service is the placement of traditional advertisements during TV advertising time slots.

(i) Disaggregation of revenue from contract with customers

Revenue by customer types

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Advertisers	31,650	8,488
Advertising agents	186,085	214,917
	<u>217,735</u>	<u>223,405</u>
	<u><u>217,735</u></u>	<u><u>223,405</u></u>

Revenue by categories of products or services being advertised

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Household furnishing and electronics	70,649	124,301
Food and beverages	50,479	69,383
Telecommunications	28,264	–
Automobile	–	6,608
Others	68,343	23,113
	<u>217,735</u>	<u>223,405</u>

Timing of revenue recognition

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Over time	<u>217,735</u>	<u>223,405</u>

(ii) Segment information

Information reported to Directors, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. During the six months ended 30 June 2023, the CODM assesses the operating performance of the continuing operations and allocates resources of the Group as a whole, as all of the Group’s activities are considered to be primarily the provision of advertising services. Accordingly, the CODM considers there is only one operating segment under the requirements of IFRS 8 Operating Segments. In this regard, no segment information is presented.

No geographic information is presented as the revenue, non-current assets and operations of the Group are primarily derived from its activities in the PRC.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2	8
Government grants (<i>Note (i)</i>)	–	1,448
Input tax additional deduction on value-added tax (<i>Note (ii)</i>)	637	515
Foreign exchange gains, net	1	–
Others	(96)	(7)
	<u>544</u>	<u>1,964</u>

Notes:

- (i) The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies and for listing. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.
- (ii) The PRC subsidiaries were granted an input tax additional 10% deduction on value added tax from 1 January 2023 to 31 December 2023 according to relevant law on value added tax of the PRC.

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	2,403	2,457
Interest expenses on lease liabilities	–	5
	<u>2,403</u>	<u>2,462</u>

6. INCOME TAX EXPENSES (CREDIT)

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PRC Enterprise Income Tax (“EIT”)		
– Current period	141	92
– Deferred tax	(126)	(746)
	<hr/>	<hr/>
Income tax expenses (credit)	15	(654)
	<hr/> <hr/>	<hr/> <hr/>

Under the Law of the PRC on EIT (“EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

The applicable tax rate of Xizang Wanmei Advertising Co., Ltd.* (西藏萬美廣告有限公司) (“Xizang Wanmei”), a wholly owned subsidiary of the Group, is 15% according to Circular Zang Zheng Fa [2018] No. 25 (the “Circular”). According to the Circular, enterprises located in Tibet and engaged in specific encouraged industries are qualified for applying a preferential tax rate of 15% for the periods from 2018 to 2020. As such, the EIT rate for Xizang Wanmei is 15% for both years. Subsequent to 31 December 2020, Ministry of Finance in PRC issued 2020 notice no. 23 to extend the tax concession period to 31 December 2030.

Pursuant to the laws and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman islands as there is no income tax impose in such jurisdiction.

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

7. PROFIT (LOSS) FOR THE PERIOD

The following items have been included in the profit (loss) for the period:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	20	29
Amortisation of other intangible assets	2	2
	<hr/>	<hr/>
Total depreciation and amortisation	22	31
	<hr/>	<hr/>
Staff costs		
Salaries and allowances	1,877	1,560
Retirement benefits contribution	–	490
	<hr/>	<hr/>
Total staff costs	1,877	2,050
	<hr/>	<hr/>
Auditor's remuneration	75	120
	<hr/> <hr/>	<hr/> <hr/>

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	146	(3,401)
	<hr/> <hr/>	<hr/> <hr/>

Number of shares

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share ('000)	400,000	400,000

Diluted earnings (loss) per share were the same as the basic earnings (loss) per share as there was no dilutive potential ordinary shares in existence during the six months ended 30 June 2023 and 2022.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil)

10. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables – contracts with customers	236,014	281,508
Less: loss allowance for trade receivables	(32,964)	(32,461)
	203,050	249,047
Rental and other deposits	1,837	2,327
Others	8,299	7,352
	10,136	9,679
Less: loss allowance for other receivables	(231)	(231)
	9,905	9,448
Deductible value-added tax	7,893	7,065
Prepayments to suppliers	157,642	160,702
	378,490	426,262

The Group generally determines the credit period granted to customers with reference to the financial position, credit record, duration of business relationship and the types of services the Group provides. Credit and payment terms may vary for different customers and projects. The Group generally issues billings to customers after performance of advertising services according to the terms set out in the relevant contracts.

For TV advertising services, the Group generally provides credit periods ranging from 15 to 90 days after performing the advertising services to customers. For certain customers, the Group demands payment by instalments or in full prior to services being provided.

For online advertising services, the Group generally provide credit periods ranging from 1 to 90 days after performing the advertising services to customers. For certain customers, the Group receives prepayment before services are provided and the amounts are deducted based on monthly services provided.

For outdoor advertising services, the Group generally sets the contract terms by instalments within the contract period.

For other advertising services, the Group generally demands payment by instalments or in full prior to services being provided.

The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the date of billing, which approximates the respective revenue recognition dates, at the end of the reporting period:

	As at	
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 30 days	45,287	63,710
31 to 90 days	96	2,210
91 to 180 days	20,043	17,143
181 to 360 days	81,535	120,518
Over 360 days	56,089	45,466
	<hr/>	<hr/>
Total	203,050	249,047
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	114,515	200,164
Staff cost payables	3,508	3,548
Other tax payables	2,079	2,403
Listing expenses payables	756	756
Interest payable	769	784
Accrued expenses	4,082	4,795
	<u>125,709</u>	<u>212,450</u>

The following is an aged analysis of trade payables based on the date of billing, as at the end of each reporting period:

	As at	
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 30 days	78,169	149,839
31 to 90 days	–	22,776
Over 90 days	36,346	27,549
	<u>114,515</u>	<u>200,164</u>

The Group is granted a credit period from 5 to 60 days from its suppliers, unless prepayment to suppliers is specified on the contract.

12. BANK AND OTHER BORROWINGS

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank loans		
– unsecured (Note i)	137,700	82,200
Other borrowings		
– unsecured (Note ii and iii)	34,984	34,984
	<u>172,684</u>	<u>117,184</u>

Notes:

- (i) The bank loans were guaranteed by four (31 December 2022: four) third party guarantors, who charged the Group an upfront guarantee fees range from 1.50% to 1.80% (31 December 2022: from 1.50% to 1.98%) of the corresponding loan principal amounts. The effective interest rates (which are also equal to contracted interest rates) of these bank loans range from 3.25% to 4.70% (31 December 2022: from 3.70% to 5.00%) per annum as at 30 June 2023.
- (ii) During the year ended 31 December 2022, the Group borrowed a loan of RMB30,000,000 with a repayable term of three years of which is repayable on 15 September 2025, and guaranteed by an independent third party guarantor who charged the Group an upfront guarantee fees of 1.70%. The loan bears a fixed interest rate of 6.00% per annum.
- (iii) During the year ended 31 December 2021, the Group borrowed a loan of approximately RMB4,984,000 from its shareholder. Such borrowing was unsecured, non-interest bearing and repayable on demand.

The loan agreements do not impose any covenants.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview and Business Review

(I) Market overview

In 2023, China's economy gained strong momentum in the first half of the year along with the accelerated restoration of production and living order in the latter stages of the pandemic. According to data released by the National Bureau of Statistics of China in July, GDP in the first half of the year grew by 5.5% year-on-year, and the World Bank's recent forecast for China's economic growth was raised by a further 1.3 percentage points compared to January 2023. Data from the Kantar Worldpanel (which belongs to CTR Market Research Co. Ltd ("CTR") in China) showed that the consumer market grew by 2.3% through May 2023, ushering in a mild recovery. The economic recovery has also given advertisers full confidence. The 2023 China Advertiser Marketing Trend Survey Report, jointly released by three organizations including CTR, shows that advertisers' confidence in the economic situation is higher than that at the beginning of the pandemic. With their confidence, the advertising market realized a year-on-year growth of 4.8% in the first half of this year; in terms of performance by month, the advertising market has resumed positive growth since March 2023, and continued to grow by double-digit year-on-year in April and May 2023, while the increase in spending in June fell back to single-digit growth, with a year-on-year growth of 8.9%; the monthly spending decreased by 3.5% year on year, and the overall market is still in the fluctuating period of adjustment. (Source: CTR Media Intelligence "Overview of Advertising Market Spending Data in the First Half of 2023")

The first half of 2023 saw some positive changes in both the economic and advertising environments, but also some challenges and uncertainties. In terms of actual operations, advertisers remained relatively cautious about marketing budgets for the year, while at the same time focusing more on the effects and returns of their advertising campaigns. However, with the market recovery and the resumption of growth in the consumer market, the advertising market is gradually showing a stable and positive trend. Although a certain degree of volatility may still exist in the short term, the growth of the advertising market this year has gradually returned to a reasonable range as the impact of the pandemic on various media outlets in the corresponding period last year continues to lessen, and such upward trend is expected to continue. Based on these trends and with the stable development of the advertising market and the enhancement of customers' trust, the Company's performance is expected to further improve and enhance in the second half of 2023.

(II) Business review

TV advertising services

Nowadays, there are various forms of media and the audience's contact with media is diversified and dispersed. However, the core position of TV media at the consumer audience level remains strong, and the value-creation capability of TV advertising is widely recognised by advertisers, with the authoritative media represented by TV media endorsing the brand and shaping the brand's main line of value. The Group provides professional and customised TV advertising solutions to

its customers. By leveraging its long-term business relationship with major suppliers, the Group is able to provide customers with a wealth of cost-effective communication resources, deliver high-quality advertising displays within their budgets, and maximize the value of advertising. During the period under review, while facing the post pandemic recovering market, the Group integrated its advantages, upgraded our TV advertising services into more comprehensive and in-depth communications services, optimised its media resources portfolio to enhance its competitiveness and strived to provide more accurate and effective personalised advertising solutions to its customers.

During the period under review, the Group completed placements of TV advertisements for well-known big brand clients in the food and beverage, furniture and home appliances and other industries respectively, and gained the recognition from multiple well-known clients. During the period under review, revenue from the TV advertising services amounted to approximately RMB99.2 million.

Online advertising services

In terms of online advertising and online marketing, in response to the current trend of Internet media development and the placement needs of advertisers, the Group continued to strengthen its Internet advertising and communication services. Leveraging on the advantages of online media and new media resource matrix, the Group continued to enhance its Internet integration service capability through big data and precision placement technology, and continued to provide customers with high-quality and effective online advertising resources as well as one-stop online marketing solutions. Meanwhile, riding on the strengths and experience accumulated by the Group in TV content marketing and communications, the Group has fully explored the needs of its customers in the field of Internet communication and strengthened the communication services of Internet variety content, integrating the successful experience of online advertising and traditional business, thus enhancing the professional ability of Internet content integration to provide customers with one-stop online marketing solutions and help customers to realize better outcome in placing online advertisements and improve their brand popularity.

During the period under review, the Group has provided Internet multi-video media package advertisement placements and Internet online marketing services to well-known big brand clients in telecommunication, furniture and home appliance and other industries respectively, and were highly recognized and praised by the clients. During the period under review, revenue from online advertising services was approximately RMB110.2 million.

Outdoor advertising services

The Group continues to strengthen and improve its market penetration in the field of outdoor display boards, LED displays, elevators in buildings, bus bodies, metro outdoor advertising and other advertisement placement segments. Leveraging on its quality outdoor advertising resources and well-established connections with relevant suppliers, the Group provides customers with diversified scenes as well as scene-integrated communication solutions. During the period under review, the Group placed advertisements on bus bodies, LEDs and other advertisements in collaboration areas for clients of well-known brands in the furniture and home appliances and technical services industries.

The outdoor scenes, which were previously heavily affected by the pandemic, have recovered in this year, representing a gradual recovery of vitality. However, “cost reduction and efficiency enhancement” has become the top priority of advertisers, who are more cautious in placing outdoor advertisements than before. The outdoor advertising budgets of collaboration customers declined or its execution of placement was postponed, leading to a decline in revenue from the Group’s outdoor advertising business. During the period under review, revenue from the outdoor advertising services amounted to approximately RMB8.0 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to explore new areas of resources and in-depth collaboration including the development and utilisation of resources for brand strategy design and services, radio advertising, magazine advertising, newspaper advertising and livestream advertising to meet customers’ diversified advertising needs. During the period under review, the Group provided livestreaming project dissemination services for collaborating brands.

In the first half of the year, the economic saw a mild recovery, the market however remains volatile in the short term. In terms of actual operations, advertisers remained relatively cautious about their marketing budgets for this year. Therefore, advertisers reduced their budgets for other diversified auxiliary advertisements or suspended other advertisement placements, resulting in a decrease in revenue from the Group’s other advertising services. During the period under review, revenue from other advertising services amounted to approximately RMB0.3 million.

Financial Review

Revenue

During the period under review, the Group recorded revenue of approximately RMB217.7 million, representing a slight decrease of approximately 2.5% as compared to approximately RMB223.4 million for the corresponding period last year.

Revenue details for the period under review:

- (I) During the period under review, revenue from TV advertising services was approximately RMB99.2 million, representing an increase of approximately 47.5% from approximately RMB67.3 million for the corresponding period last year. It is due to the traditional TV advertising increase resulting from the advertising industry being in a recovery period since the start of 2023 after the impact of the pandemic.

- (II) During the period under review, revenue from online advertising services was approximately RMB110.2 million, representing a decrease of approximately 12.5% from approximately RMB126.0 million for the corresponding period last year. It is due to the cost increase resulting from the advertising industry being in a recovery period since the start of 2023 after the impact of the pandemic.
- (III) During the period under review, revenue from outdoor advertising services was approximately RMB8.0 million, representing a decrease of approximately 73.2% from approximately RMB29.7 million for the corresponding period last year. It is due to the cost increase resulting from the advertising industry being in a recovery period since the start of 2023 after the impact of the pandemic.
- (IV) During the period under review, revenue from other advertising services was approximately RMB0.3 million, representing a decrease of approximately 36.3% from approximately RMB0.4 million for the corresponding period last year. It is due to the cost increase resulting from the advertising industry being in a recovery period since the start of 2023 after the impact of the pandemic.

During the period under review, profit and total comprehensive income attributable to the owners of the Company amounted to approximately RMB0.1 million, while loss and total comprehensive expense attributable to the owners of the Company for the corresponding period last year amounted to approximately RMB3.4 million.

Gross profit and gross profit margin

During the period under review, the Group recorded gross profit and gross profit margin of approximately RMB7.3 million and 3.3%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB7.4 million and 3.3%, respectively.

Other income, gains and losses

During the period under review, other income, gains and loss of the Group amounted to approximately RMB0.5 million, representing a decrease of approximately 72.3% from approximately RMB2.0 million for the corresponding period last year. The Group's other income, gains and loss were mainly attributable to the subsidy received from the local government and the additional deduction of input tax on value-added tax.

Selling and marketing expenses

During the period under review, selling and marketing expenses of the Group amounted to approximately RMB1.1 million, representing a decrease of 50.7% from approximately RMB2.3 million for the corresponding period last year, which was mainly due to the slow operation deployment following the end of pandemic in the first half of 2023.

Administrative expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB3.7 million, representing a decrease of approximately 12.0% from approximately RMB4.2 million for the corresponding period last year.

Finance costs

During the period under review, finance costs of the Group amounted to approximately RMB2.4 million, representing a decrease of approximately 2.4% from approximately RMB2.5 million for the corresponding period last year.

Impairment losses of financial assets

During the period under review, the Group's impairment losses of financial assets was approximately RMB0.5 million, representing a decrease of approximately 88.7% from approximately RMB4.5 million for the corresponding period last year, which was mainly due to the fact that the majority of the trade receivables are within six months during the period under review.

Income tax expenses/(credit)

During the period under review, the Group's income tax expenses was approximately RMB15,000 (income tax credit for the six months ended 30 June 2022: approximately RMB0.7 million).

Profit/(loss) and total comprehensive income/(expense)

As a result of the foregoing, during the period under review, the Group's profit and total comprehensive income amounted to approximately RMB0.1 million (loss and total comprehensive expense for the six months ended 30 June 2022: approximately RMB3.4 million).

Deferred tax assets

As at 30 June 2023, deferred tax assets amounted to approximately RMB10.7 million (as at 31 December 2022: approximately RMB10.5 million), representing an increase of approximately 1.2% as compared with deferred tax assets as at 31 December 2022, which was mainly due to the increase in impairment losses of financial assets.

Trade receivables, prepayments and other receivables

As at 30 June 2023, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB378.5 million (as at 31 December 2022: approximately RMB426.3 million), representing a decrease of approximately 11.2% as compared with trade receivables, prepayments and other receivables as at 31 December 2022. The decrease in trade receivables, prepayments and other receivables was mainly due to the recovery of accounts receivable during the period under review.

Contract assets

As at 30 June 2023, the Group's contract assets was approximately RMB152.2 million (as at 31 December 2022: approximately RMB131.7 million), representing an increase of approximately 15.5% as compared with contract assets as at 31 December 2022, which was due to (i) the continuous progress of the business operations of the Group bringing more business opportunities thus increased contract assets; and (ii) as the market demands vary, certain contractual prices may increase, causing the increase in contract assets.

Trade and other payables

As at 30 June 2023, trade and other payables amounted to approximately RMB125.7 million (as at 31 December 2022: approximately RMB212.5 million), representing a decrease of approximately 40.8% as compared with trade and other payables as at 31 December 2022.

Trade payables represent the amount payable by the Group to suppliers for the purchase of advertising resources. Payments are generally made in accordance with the terms specified in the contract with the supplier. The Group is generally required to pay within 60 days of calculating the actual number of exposures or hits per month. During the period under review, revenue from online advertising services was severely affected, with related costs of main business and trade payables balance affected accordingly.

Significant investments, material acquisitions and disposals of subsidiaries and associated companies

During the period under review, the Group had not executed any agreement in respect of significant investment or capital asset and did not have any other plans relating to significant investment or capital asset. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Company and its shareholders as a whole.

During the period under review, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Liquidity and financial resources

As at 30 June 2023, bank balances and cash was approximately RMB0.8 million (as at 31 December 2022: approximately RMB5.1 million), of which, approximately 98.50% was in RMB, the remaining approximately 1.50% was in HKD and USD, respectively.

Gearing ratio

The Group's gearing ratio increased from approximately 56.9% as at 31 December 2022 to approximately 83.7% as at 30 June 2023, which was primarily due to an increase in bank loans during the period under review.

The gearing ratio is calculated by dividing the sum of total bank and other borrowings by total equity as at the end of the respective periods, and multiplied by 100%.

Pledged assets

During the period under review, the Company did not charge any fixed assets as security for borrowings.

Capital expenditures

During the period under review, the Group did not have any other significant capital expenditures.

Contingent liabilities

During the period under review, the Group did not have any other significant contingent liabilities.

Foreign exchange risk

The Group's business activities and operations are mainly carried out in China where core transactions are conducted in RMB. The influence by exchange rate fluctuations on cash flow or liquidity of the Group's operating business is very limited, therefore, the Group currently did not engage in or intend to manage hedging activities of foreign exchange rate risk. The Group will continue to monitor foreign exchange activities to secure the Group's cash value as far as possible.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuations in the prevailing market interest rates on bank balances and cash. The Group does not have an interest rate hedging policy.

The Group's fair value interest rate risk relates primarily to fixed-rate bank and other borrowings and lease liabilities. The Group's policy is to maintain short-term borrowings at prevailing market interest rates so as to minimize the fair value interest rate risk.

EMPLOYEE AND EMOLUMENT POLICIES

To attract and retain employees of the Group, the Group provides competitive remuneration packages to its executive Directors and senior management. These comprise salaries and allowance, performance related bonuses, retirement benefits contributions and long-term incentive plan which includes the Share Option Scheme. The remuneration package of executives Directors and senior management is referenced to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The performance related bonuses are calculated based on our employees' respective position, duration of services and performance of our employees. The Group assesses the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

The remuneration payable to our employees includes salaries and allowance, performance related bonuses and retirement benefits contributions. The salaries of our employees are generally determined by the employees' respective position, qualification, experience and performance. In order to attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

We provide training programmes for all of our employees to enhance our employees' knowledge, skills and capability relevant to the advertising industry. All of our new hires will be provided with an induction programme to familiarise with the Group, followed by on-the-job training based on departmental needs and the development strategies of the Group. We also provide promotion opportunities for capable employees as we have policies and procedures setting out the assessment criteria for promotion.

The independent non-executive Directors' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- (i) Directors' fees, which are usually paid annually; and
- (ii) Share options which are rewarded subject to the discretion of the Board.

As at 30 June 2023, the Group employed a total of 30 full-time employees (as at 30 June 2022: 33 full-time employees). Compared with the total number of employees as at 30 June 2022, the number of employees decreased by three.

During the period under review, the relevant staff costs amounted to approximately RMB1.9 million (six months ended 30 June 2022: approximately RMB3.7 million), representing a decrease of approximately RMB1.8 million or approximately 48.6% as compared to the same period last year. This was mainly due to a reduction in the number of staff and the restructuring of the Group, which resulted in an increase in personal workload for existing staff to supplement the corresponding vacancies.

SUBSEQUENT EVENTS AFTER THE PERIOD UNDER REVIEW

The Directors confirmed that subsequent to 30 June 2023 and up to the date of this announcement, there have not been any major events affecting the Group.

INDUSTRY AND THE GROUP'S OUTLOOK

2023 has been a promising start for the market and for all of us. The uncertainties of the past few years have had a long-term impact on the market. In the first half of 2023, the economy of China recovered with the advertising and consumer markets showing resilient growth. However, under the trend of recovery and rebound, the advertising market remains volatile in the short term. The Group needs to adjust and optimize its development strategies in accordance with market changes and consumer demand in order to adapt to the new advertising environment and market trends.

In the second half of 2023, the Group will integrate its strengths in a timely manner, focus on its established traditional strengths and core competencies in content marketing in accordance to the actual communication needs of its customers, while at the same time adjusting and optimizing its business structure, increasing its Internet advertising and communication services and Internet variety integrated marketing business, and committing itself to providing its customers with professional and efficient content marketing and high-quality integrated communication services, so as to promote the Group's steady development.

In particular, regarding the TV advertising business, the Group will continue to maintain the core competitiveness of TV communication and content marketing communication and optimize operating strategies and media product portfolio to enhance competitiveness; maintain existing quality clients and strengthen the development of new clients, and enhance the brand influence of our clients through the highly effective dissemination of TV advertisements.

In terms of online advertising and online marketing, the Group will continue to increase its Internet advertising communication services in line with the current development trend of Internet media and the placement needs of advertisers; at the same time, with the Group's accumulated advantages and experience in marketing and communication of television content, it will strengthen its Internet variety show content communication services, and continue to enhance its Internet integration service capabilities through integrated marketing of Internet digital content, so as to provide its customers with a one-stop digital marketing solution and to enhance the effect of its customers' placements on the Internet and the influence of their brands.

In terms of outdoor advertising, based on the actual communication needs of our clients, the Group will increase its brand communication services in the outdoor advertising business to provide its customers with a variety of scenes and scenes of integrated communication solutions. At the same time, the Group will continue to explore and follow up on new technologies, utilize new technologies to explore new media advertising forms, develop new advertising business to open up market space, provide new advertising value for customers, and explore new profit growth points.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE PROVISIONS CONTAINED IN PART 2 OF APPENDIX 14 TO THE LISTING RULES

The Company is committed to maintaining a high standard of corporate governance practices. The Company has complied with the required code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules for the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2023.

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

REVIEW OF UNAUDITED INTERIM RESULTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Group's interim results for the six months ended 30 June 2023 have not been audited by the auditor of the Company. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Li Xue (Chairman), Mr. Wu Ke and Mr. How Sze Ming. The Audit Committee has reviewed the Company's unaudited interim results for the six months ended 30 June 2023 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of financial reporting.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.reach-ad.com).

The interim report of the Company for the six months ended 30 June 2023 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Beijing, the PRC, 30 August 2023

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