# 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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Ruicheng (China) Media Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (together, the "**Group**", "**our**" or "**we**") for the year ended 31 December 2023 (the "**Reporting Period**") prepared under the International Financial Reporting Standards (the "**IFRSs**"), together with the comparative figures for the corresponding period in 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2023*

| | *Notes* | **2023** | 2022 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Revenue** | *4* | **378,707** | 412,659 |
| Cost of revenue | | **(355,142)** | (402,032) |
| **Gross profit** | | **23,565** | 10,627 |
| Other income, gains and losses | *5* | **3,430** | 3,103 |
| Selling and marketing expenses | | **(2,609)** | (3,696) |
| Administrative expenses | | **(8,203)** | (7,678) |
| Finance costs | *6* | **(7,320)** | (6,471) |
| Provision for loss allowance of financial assets and contract assets, net | *7* | **(40,932)** | (27,958) |
| **Loss before tax** | | **(32,069)** | (32,073) |
| Income tax credit | *8* | **8,718** | 20,411 |
| **Loss and total comprehensive expenses for the year** | *9* | **(23,351)** | (11,662) |
| Attributable to: | | | |
| Owners of the Company | | **(23,471)** | (11,384) |
| Non-controlling interests | | **120** | (278) |
| | | **(23,351)** | (11,662) |
| **Loss per share attributable to the owners of the Company** | | | |
| Basic and diluted (RMB cents) | *11* | **(5.87)** | (2.85) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

| | *Notes* | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | | **319** | 343 |
| Intangible assets | | **17** | 22 |
| Deferred tax assets | | **20,765** | 10,532 |
| | | **21,101** | 10,897 |
| **Current assets** | | | |
| Trade receivables, prepayments and other receivables | *12* | **518,563** | 426,262 |
| Amounts due from related companies | | **100** | 211 |
| Contract assets | | **18,038** | 131,714 |
| Bank balances and cash | | **17,854** | 5,081 |
| | | **554,555** | 563,268 |
| **Total assets** | | **575,656** | 574,165 |
| **Capital and reserves** | | | |
| Share capital | | **3,578** | 3,578 |
| Reserves | | **179,211** | 202,682 |
| **Equity attributable to owners of the Company** | | **182,789** | 206,260 |
| **Non-controlling interests** | | **(16)** | (136) |
| | | **182,773** | 206,124 |

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **210,894** | 212,450 |
| Amount due to a director | | **14,673** | – |
| Tax payables | | **1,258** | 148 |
| Contract liabilities | | **17,074** | 38,259 |
| Bank and other borrowings | | **118,984** | 87,184 |
| | | **362,883** | 338,041 |
| **Non-current liability** | | | |
| Other borrowings | | **30,000** | 30,000 |
| | | **30,000** | 30,000 |
| **Total liabilities** | | **392,883** | 368,041 |
| **Total equity and liabilities** | | **575,656** | 574,165 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 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 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".

## 2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Going concern

Notwithstanding that the Group has relatively low level of bank balances and cash of approximately RMB17,854,000 compared to bank and other borrowings which is repayable within one year of approximately RMB118,984,000 as at 31 December 2023, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matter:

(i) The directors of the Company will continue to take active measures to control costs through various channels including human resources optimisation and also speed up the collection from settlement of trade receivables to improve operating cash flows and its financial position.

The validity of the going concern basis on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the above measures being taken by the directors of the Company and the outcome of these measures as described above. Hence, the directors of the Company are of the view that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue operating as a going concern, and adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

## 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2023.

| | |
|---|---|
| Amendments to IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| 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 year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to IFRSs issued but not yet effective**

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[1] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[1] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[1] |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements[1] |
| Amendments to IAS 21 | Lack of Exchangeability[2] |

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from rendering advertising services. An analysis of the Group's revenue for the year is as follows:

**Revenue by services nature**

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Television ("TV") advertising services | | |
| – Hard-sell TV advertising services *(Note)* | **38,122** | 72,552 |
| – Advertising solution packages involving soft-sell TV advertising services *(Note)* | **124,285** | 29,838 |
| | **162,407** | 102,390 |
| Online advertising services | **188,155** | 295,237 |
| Outdoor advertising services | **17,962** | 10,844 |
| Other advertising services | **10,183** | 4,188 |
| | **378,707** | 412,659 |

*Note:* Hard-sell TV advertising service is the placement of traditional advertisements during TV advertising time slots; and soft-sell TV advertising service is the implantation of advertisements in variety shows and TV series such as product placement, title sponsorship, subtitle advertisement and verbal slogan.

***Disaggregation of revenue from contracts with customers***

***Revenue by customer types***

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Advertisers | **59,149** | 164,503 |
| Advertising agents | **319,558** | 248,156 |
| | **378,707** | 412,659 |

***Revenue by categories of products or services being advertised***

| | 2023 *RMB'000* | 2022 *RMB'000* |
|---|---|---|
| Household furnishings and electronics | **235,312** | 185,581 |
| Internet and mobile games | **47,356** | 136,510 |
| Foods and beverages | **91,375** | 87,435 |
| Automobile | **–** | 618 |
| Others | **4,664** | 2,515 |
| | **378,707** | 412,659 |

***Time of revenue recognition***

| | 2023 *RMB'000* | 2022 *RMB'000* |
|---|---|---|
| Over time | **378,707** | 412,659 |

***Performance obligations for contracts with customers***

The Group principally generates revenue from the provision of advertising services which usually range from one to twelve months. Advertising services typically meet the criterion where customers simultaneously receive and consume the benefit of the Group's performance as the Group performs. Therefore, such revenue is recognised as a performance obligation satisfied over time, using output method.

The Group acts as the principal during the provision of advertising services and therefore recognised revenue earned and costs incurred related to these transactions on a gross basis where the Group is the primary obligor and are responsible for (1) identifying and contracting with third party advertiser which the Group views as customers; (2) identifying and contracting with media platforms to provide advertising time or space where the Group views media platforms as suppliers; (3) establishing selling price for the advertising services; and (4) bearing sole responsibility for fulfilment of the advertising services.

***Transaction price allocated to the remaining performance obligation for contracts with customers***

All advertising services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

***Segment information***

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and assessment of segment performance, focuses on types of services provided. During the years ended 31 December 2023 and 2022, the CODM assesses the operating performance 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.

***Information about the major customers***

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A[1] | **117,547** | 92,689 |
| Customer B[2] | **N/A[4]** | 136,521 |
| Customer C[1] | **81,132** | N/A[4] |
| Customer D[3] | **79,528** | N/A[4] |

1 Revenue from TV advertising services and online advertising services
2 Revenue from online advertising services
3 Revenue from outdoor and TV advertising services
4 The corresponding revenue did not contribute over 10% of the total revenue of the Group

## 5. OTHER INCOME, GAINS AND LOSSES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on bank deposits | **45** | 3 |
| Government grants *(Note (i))* | **2,648** | 2,028 |
| Input tax additional deduction on value added tax *(Note (ii))* | **809** | 1,126 |
| Loss on written-off of property, plant and equipment | **–** | (28) |
| Others | **(72)** | (26) |
| | **3,430** | 3,103 |

*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 5% (2022: 10%) deduction on value-added tax according to relevant law on value-added tax of the PRC.

## 6. FINANCE COSTS

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank and other borrowings | **5,529** | 4,900 |
| Interests on lease liabilities | **–** | 2 |
| | **5,529** | 4,902 |
| Guarantee fees on bank borrowings | **1,791** | 1,569 |
| | **7,320** | 6,471 |

## 7. PROVISION FOR LOSS ALLOWANCES OF FINANCIAL ASSETS AND CONTRACT ASSETS

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Provision for loss allowances of: | | |
| – Trade receivables | **49,572** | 19,352 |
| – Contact assets | **–** | 8,950 |
| | **49,572** | 28,302 |
| Reversal of loss allowances of: | | |
| – Other receivables | **(147)** | (344) |
| – Contract assets | **(8,493)** | – |
| | **(8,640)** | (344) |
| Total provision for loss allowances | **40,932** | 27,958 |

## 8. INCOME TAX CREDIT

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| PRC Enterprise Income Tax ("EIT") | | |
| Current year taxation | **1,493** | 566 |
| Under-/(over-) provision in prior year | **22** | (13,987) |
| Deferred taxation | **(10,233)** | (6,990) |
| Income tax credit | **(8,718)** | (20,411) |

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 years.

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. 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 imposed 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.

## 9. LOSS FOR THE YEAR

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| Loss for the year has been arrived at after charging:<br>Staff Costs | | |
| Directors' and chief executive's emoluments | **1,228** | 1,265 |
| Salaries, wages, allowances and other benefits | **3,924** | 4,586 |
| Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments) | **1,450** | 1,658 |
| Total staff costs | **6,602** | 7,509 |
| Amortisation of intangible assets | **5** | 5 |
| Depreciation of plant and equipment | **24** | 58 |
| Total Depreciation and amortisation | **29** | 63 |
| Auditors' remuneration | **930** | 930 |
| Expenses relating to short-term leases | **747** | 6,416 |

## 10. DIVIDENDS

No final dividend has been proposed by the Group for the year ended 31 December 2023 and 2022.

## 11. LOSS PER SHARE

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share | **(23,471)** | (11,384) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *('000 shares)* | **400,000** | 400,000 |

The diluted loss per share were the same as the basic loss per share as there was no diluted potential ordinary shares in existence during the years ended 31 December 2023 and 2022.

## 12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Receivables at amortised cost comprise: | | |
| Trade receivables – contracts with customers | **403,410** | 281,508 |
| Less: loss allowance for trade receivables | **(82,033)** | (32,461) |
| | **321,377** | 249,047 |
| Rental and other deposits | **1,838** | 2,327 |
| Other | **7,265** | 7,352 |
| | **9,103** | 9,679 |
| Less: loss allowance for other receivables | **(84)** | (231) |
| | **9,019** | 9,448 |
| Deductible value-added tax | **5,367** | 7,065 |
| Prepayment to suppliers *(note (i))* | **182,800** | 160,702 |
| | **188,167** | 167,767 |
| Total | **518,563** | 426,262 |

(i) The prepayments were made to the suppliers for the supplying of provision of advertising services to the Group.

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 (2022: 15 to 90 days) after issued billings to customers.

For online advertising services, the Group generally provides credit periods of 90 days (2022: 90 days) after issued billings to customers.

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 losses presented based on the date of billing, which approximates the respective revenue recognition dates, at the end of the reporting period:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 30 days | **95,333** | 63,710 |
| 31 – 90 days | **–** | 2,210 |
| 91 – 180 days | **–** | 17,143 |
| 181 – 365 days | **159,435** | 120,518 |
| Over 365 days | **66,609** | 45,466 |
| | **321,377** | 249,047 |

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of approximately RMB321,377,000 (31 December 2022: RMB249,047,000), which are past due as at the reporting date. The Group does not hold any collateral over these balances or charge any interest thereon.

## 13. TRADE PAYABLES AND OTHER PAYABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **195,476** | 200,164 |
| Staff cost payables | **5,163** | 3,548 |
| Other tax payables | **178** | 2,403 |
| Listing expenses payables | **756** | 756 |
| Interest payable | **775** | 784 |
| Accrued expenses | **8,546** | 4,795 |
| Total | **210,894** | 212,450 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 30 days | **77,676** | 149,839 |
| 31 – 90 days | **–** | 22,776 |
| Over 90 days | **117,800** | 27,549 |
| | **195,476** | 200,164 |

The Group is granted a credit period from 5 to 60 days from its suppliers, unless prepayment to suppliers is specified on the contract. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market overview

2023 was a year for the economy to resume development after COVID-19 pandemic prevention and control. China's economy showed a recovery trend of "wavelike development and tortuous progress". According to the latest data released by the National Bureau of Statistics, the gross domestic product (GDP) in China was more than RMB126 trillion, with year-on-year growth of 5.2%. China ranked the forefront of the world's major economies in terms of economic recovery growth rate. China's national economy saw an ongoing pickup. Economic growth continuously promoted the steady and sustainable development of advertising market. According to the data released by CTR Media Intelligence, in 2023, the advertising market increased by 6.0% year-on-year. In terms of performance by month, the advertising market has resumed positive growth since March, and continued to grow by double-digit year-on-year in April and May, while the increase in spending in June fell back. Subsequently, there was a steady and positive growth in monthly spending, up 8.9% year-on-year in December. The monthly spending increased by 8.3% year on year, and the overall market has gradually recovered amidst the fluctuations. (Source: CTR Media Intelligence "Overview of Advertising Market Spending Data in 2023"). In 2024, China's economy is expected to continue to maintain a sound growth momentum, and the expansion and upgrading of the consumer market will bring broader market space for the advertising industry. Meanwhile, the rapid development of digital and intelligent technologies will further promote innovation and growth in the advertising industry, leading to more targeted and personalized advertising strategies. However, the intensified competition in the market has put forward higher requirements for the advertising industry. Thus, the Group must continuously enhance its service quality and be committed to sustainable development to cope with the increasingly complicated market circumstances.

### Group overview

In 2023, the Group actively responded to changes in market pressure. The Group integrated its strengths in a timely manner, focused on its established traditional strengths and core competencies in content marketing in accordance to the actual communication needs of advertiser customers, and committed itself to providing its customers with professional and efficient content marketing and high-quality integrated communication services. At the same time, the Group adjusted and optimized its business structure, increasingly expanded its Internet advertising and communication services and Internet variety integrated marketing business, systematically optimized its operation and management structure, and enhance and guaranteed its comprehensive competitiveness, so as to promote the Company's steady development.

**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 brand value-creation capability of TV advertising is widely recognized by advertisers, with the authoritative media represented by TV media endorsing the brand and shaping the brand's main line value. The Group provides professional and customized 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, assisting customers by delivering high-quality advertisements within their budgets, and maximize the value of advertising. During the Reporting Period, the Group provided brand or product advertising services to a well-known branded beverage seller, a well-known household appliance manufacturer in the PRC and other customers, respectively, and gained recognition from multiple well-known customers.

In terms of content marketing business, the Group has been actively improving its creative design and communication capability, completing content placement ideas, content integration planning, secondary communication marketing and implementation action plans for various customers, so as to enhance customers' brand value through content integration. During the Reporting Period, the Group successively provided services to major advertiser customers, including a leading Chinese household appliances manufacturer headquartered in Qingdao and its world's first scene-based brand, involving project cooperation such as the cooperation between a leading Chinese household appliances manufacturer headquartered in Qingdao and Zhejiang Satellite TV on a music inspirational program. During the Reporting Period, revenue from the TV advertising services business amounted to approximately RMB162.4 million.

***Online advertising services***

With the economic recovery, marketing adapted to the changes in the market. Online advertising placement rose steadily. In response to the current trend of Internet media development and the placement needs of advertisers, the Group continued to strengthen its online advertising services. Leveraging on the advantages of the online media and new media resource matrix, the Group pooled high-quality media resources, continued to enhance its Internet integration service capability and optimised marketing efficiency of online advertising through big data and precision placement technology; and continued to provide customers with high-quality and effective online advertising placement as well as one-stop online marketing solutions. During the Reporting Period, the Group served some domestic customers within the household appliance industries and other customers. During the cooperation period, the brands achieved a better conversion rate in the placement of digital media on the Internet, ensuring the sustainability of the clients' advertising placements, which was highly recognized and appreciated by the customers.

At the same time, the Group fully explored the integrated needs of its customers in the area of Internet communications, leveraged on its accumulated strengths and experience in television content marketing and communications, and enhanced its Internet variety show content communication services, creating an innovative binding between its successful experience in digital advertising and traditional business to provide one-stop integrated digital marketing solutions to its customers, enhancing their communication effectiveness and brand influence on the Internet. During the Reporting Period, the Group's Internet variety show projects included the cooperation between a renowned brand in the children's dairy industry in the PRC headquartered in Inner Mongolia and a large-scale science competition reality show; the cooperation between a young household appliance brand of a leading Chinese household appliances manufacturer headquartered in Qingdao, which is specially designed for the new generation, and a labor documentary and interactive reality show, etc. During the Reporting Period, revenue from online advertising services was approximately RMB188.2 million.

***Outdoor advertising services***

In 2023, the Chinese market experienced a stable recovery. With the moderate growth in the market, the consumption, travel, tourism and hotel sectors continued to recover, and the trend of outdoor advertising picked up. According to the data released by CTR Media Intelligence, elevator LCD, elevator poster, and cinema video advertisements all experienced double-digit year-on-year growth. The year-on-year advertising expenditures in trains/high-speed rail stations, airports, subways and street facilities turned from negative to positive. With these market opportunities, the Group continued to strengthen and improved its market penetration in the areas of outdoor display boards, LED display panels, lifts in buildings, bus bodies and subway outdoor areas. Leveraging on its high-quality outdoor advertising resources and well-established connections with relevant suppliers, the Group provides its customers with a variety of scenes and scenes-integrated communication solutions. During the Reporting Period, the Group successively placed outdoor advertisements on bus bodies and LEDs in collaboration areas for another well-known household appliance manufacturer in the PRC (headquartered in Qingdao), a well-known technology-driven new residential service provider in the PRC and a beer producer based in Qingdao. During the Reporting Period, revenue from the outdoor advertising services business amounted to approximately RMB18.0 million.

***Other advertising services***

Building on the stable foundation formed by its original diversified media advertising services, the Group continued to explore new areas of resources, including the development and utilisation of resources for brand marketing strategies, brand communication consulting, brand marketing design services, radio advertising and magazine advertising, so as to meet customers' diversified advertising and communication needs. During the Reporting Period, the Group provided brand marketing planning and other related communication project cooperation services to advertiser customers, such as a leading Chinese household appliances manufacturer headquartered in Qingdao and its premium household appliance brands. With the professional and efficient communication service level and caring customer service concept, the Group gained recognition from cooperative customers. During the Reporting Period, the revenue from other advertising services amounted to approximately RMB10.2 million.

## Financial Review

### Revenue and loss and total comprehensive expenses attributable to the owners of the Company

During the Reporting Period, the Group recorded revenue of approximately RMB378.7 million, representing a decrease of approximately 8.2% from approximately RMB412.7 million for the corresponding period last year.

Revenue details for the Reporting Period are as follows:

(1) During the Reporting Period, revenue from TV advertising services was approximately RMB162.4 million, representing an increase of approximately 58.6% from approximately RMB102.4 million for the corresponding period last year. The revenue for such business increased, which was mainly attributed to the decrease in the placement of online advertisements of the customers, which led to the increase in business volume of the TV advertising services during the year.

(2) During the Reporting Period, revenue from online advertising services was approximately RMB188.2 million, representing a decrease of approximately 36.2% from approximately RMB295.2 million for the corresponding period last year. The revenue for such business decreased, which was mainly attributed to the increase in the television investment of the customers during the Reporting Period. Customers were more stringent and reduced their budgets for online advertising and decreased the placement of online advertisements, while increasing the placement of TV advertisements, thus resulting in a decrease in revenue from online advertising services of the Group.

(3) During the Reporting Period, revenue from outdoor advertising services was approximately RMB18.0 million, representing an increase of approximately 66.7% from approximately RMB10.8 million for the corresponding period last year. The increase in outdoor advertising business placements during the Reporting Period resulted in a significant rise in revenue from the outdoor advertising services of the Group.

(4) During the Reporting Period, revenue from other advertising services was approximately RMB10.2 million, representing an increase of approximately 142.9% from approximately RMB4.2 million for the corresponding period last year. The growth in the volume of business placements by customers of other advertising programs resulted in a significant increase in revenue from the other advertisement services of the Group.

During the Reporting Period, the loss and total comprehensive expenses attributable to the owners of the Company was approximately RMB23.5 million, while the loss and total comprehensive expenses attributable to the owners of the Company of the corresponding period last year was approximately RMB11.4 million.

**Gross profit and gross profit margin during the Reporting Period**

During the Reporting Period, the Group recorded gross profit and gross profit margin of approximately RMB23.6 million and approximately 6.2%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB10.6 million and approximately 2.6%, respectively. The increase in gross profit was mainly attributable to lowered costs for media placement projects during the year.

**Other income, gains and losses**

During the Reporting Period, other income, gains and losses of the Group amounted to approximately RMB3.4 million, representing an increase of 9.7% from approximately RMB3.1 million for the corresponding period last year. During the Reporting Period, other income, gains and losses were mainly subsidies received from the local government of approximately RMB2.7 million and additional deductions of input tax on value-added tax of approximately RMB0.8 million. Other income, gains and losses for the same period last year were mainly subsidy received from the local government and the additional deduction of input tax on value-added tax.

**Selling and marketing expenses**

During the Reporting Period, selling and marketing expenses of the Group amounted to approximately RMB2.6 million, representing a decrease of approximately 29.7% from approximately RMB3.7 million for the corresponding period last year. The main reason for the decrease in selling and marketing expenses of the Group was due to the impact of a slight decrease in staff travel expenses.

**Administrative expenses**

During the Reporting Period, the Group's administrative expenses was approximately RMB8.2 million, representing an increase of approximately 6.5% from approximately RMB7.7 million in the same period last year. The main reason for the increase in administrative expenses of the Group was due to the increase in the number of employees as compared with same period last year.

**Finance costs**

During the Reporting Period, finance costs of the Group amounted to approximately RMB7.3 million (same period last year: approximately RMB6.5 million), representing an increase of 12.3%, which was mainly due to the change in part of the loan structure in 2023 leading to an increase in bank borrowings.

**Provision for losses allowances of financial assets and contract assets, net**

During the Reporting Period, the Group recorded provision for losses allowances of financial assets and contract assets, net of approximately RMB40.9 million (same period last year: provision for losses allowances of financial assets and contract assets of approximately RMB28.0 million), which was due to the decrease of Group's accounts receivable turnover rate.

**Income tax credit**

For the Reporting Period, the Group's income tax credit was approximately RMB8.7 million (same period last year: income tax credit of approximately RMB20.4 million), which was primarily due to (i) over-provision of income tax in prior years; and (ii) deferred taxation as a result of losses allowances.

**Loss and total comprehensive expenses for the year**

The Group's loss and total comprehensive expense for the Reporting Period was approximately RMB23.4 million (same period last year: loss and total comprehensive expense of approximately RMB11.7 million). Save for the influences from the aforesaid factors, it can be attributed to the provision of bad debt for the decrease of the Group's accounts receivable turnover rate.

**Deferred tax assets**

As at 31 December 2023, the deferred tax assets were approximately RMB20.8 million (31 December 2022: approximately RMB10.5 million).

**Trade receivables, prepayments and other receivables**

As at 31 December 2023, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB518.6 million (31 December 2022: approximately RMB426.3 million), representing an increase of approximately 21.7% as compared to the previous year. The increase in trade receivables was mainly due to the fact that the Group's revenue was affected by the decrease in customer demand for the Group's advertising services and the decrease in accounts receivable turnover rate.

**Contract assets**

As at 31 December 2023, the Group's contract assets were approximately RMB18.0 million (31 December 2022: approximately RMB131.7 million). The operations at the end of the year were executed and at the same time the receivables from the customers were received, thereby resulting in a significant reduction in the contract assets.

**Trade and other payables**

As at 31 December 2023, trade and other payables amounted to approximately RMB210.9 million (31 December 2022: approximately RMB212.5 million), representing a year-on-year decrease of 0.8%.

**Tax payables**

As at 31 December 2023, tax payables amounted to approximately RMB1.3 million (31 December 2022: approximately RMB0.1 million).

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

The Group had not executed any agreement in respect of material investment or capital asset and did not have any other plans relating to material investment or capital asset as at 31 December 2023. 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 Reporting Period, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

**Liquidity and financial resources**

As at 31 December 2023, bank balances and cash amounted to approximately RMB17.9 million (31 December 2022: approximately RMB5.1 million) of which, substantially all was in RMB.

As at 31 December 2023, the Group's total assets was approximately RMB575.7 million, of which equity attributable to the owners of the Company was approximately RMB182.8 million, non-controlling equity was approximately RMB0.1 million.

**Capital expenditure**

During the Reporting Period, the Group did not have any other significant capital expenditure.

**Contingent liabilities**

During the Reporting Period, the Group did not have any other significant contingent liabilities.

**Gearing ratio**

The Group's gearing ratio increased from approximately 56.9% as at 31 December 2022 to approximately 81.5% as at 31 December 2023. The gearing ratio is calculated by dividing the sum of total bank and other borrowings and lease liabilities by total equity as at the end of the respective periods, and multiplied by 100%.

**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 rates so as to minimise the fair value interest rate risk.

### Industry and Group outlook

Looking ahead, although the economy gradually recovered in 2023, the market in 2024 is still full of uncertainties, and there are still uncertainties about whether the public's consumption can continue to recover. At the same time, macro factors such as the inflation environment and the weakening trend of the global economy will also have an impact on consumer confidence. The Group is cautiously optimistic about the future and plans various strategies to seize growth opportunities. Meanwhile, the Group will remain alert to the changing market environment, continue to accelerate the adjustment and optimization of its business structure, and strengthen its core competencies in content marketing and integrated communications, expand its online advertising services and Internet variety integrated marketing business, aiming to achieve sustainable growth while responding to changes.

Specifically, in terms of TV advertising business, the Group will continue to maintain its core strengths in TV advertising and content marketing communications, and continue to optimize its marketing strategy and media product mix to enhance its competitiveness, maintain its existing quality customers, make efforts to acquire new customers and enhance the brand influence of its customers through effective TV advertising.

In terms of online advertising, the Group will continue to increase its online advertising services in line with the current trend of Internet media development and advertisers' demand for placement. Meanwhile, riding on the strengths and experience accumulated by the Group in TV content marketing and communications, the Group will enhance the communication service of Internet variety show content. Through integrated Internet and digital marketing, more efforts will be placed in providing Internet integrated service and offer its customers with one-stop digital marketing solutions, helping them to gain better outcomes in placing online advertisements and grow their brand popularity.

In terms of outdoor advertising, the Group will increase its brand communication services for outdoor advertising according to the actual communication needs of its customers, providing them with a variety of scenes and integrated communication solutions for scenes. At the same time, the Group will gain insight into the trend of technological changes, make use of new technologies to explore new forms of media advertising, make innovations to adapt to changes, develop new advertising businesses for market expansion, provide new advertising value to its customers and explore new profit growth points.

Despite the fluctuations in the future market, the Group remains upbeat about the medium to long-term prosperity of the domestic market and the increased consumer spending, and are optimistic about the Group's core business prospect of empowering brands through content marketing and integrated communications. The Group will push on with the implementation of strategies in this direction, further optimize its business structure, gradually accelerate the cultivation and expansion of brand operations on the Internet platforms, improve operational efficiency, and lay a sound foundation for long-term profit growth and value creation in the future.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Reporting Period.

## SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no major subsequent events since 31 December 2023 and up to the date of this announcement.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period.

## DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (year ended 31 December 2022: Nil).

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX C1 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 C1 to the Listing Rules during the Reporting Period.

## 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 C3 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 Reporting Period.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive Directors, namely, Mr. Li Xue (the chairman), Mr. Wu Ke and Mr. How Sze Ming. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review of the Company's financial information, and oversight of the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

## SCOPE OF WORK OF PRISM HONG KONG AND SHANGHAI LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 have been agreed by the Company's auditor, Prism Hong Kong and Shanghai Limited ("**Prism**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Prism in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism on this annual results announcement.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2023 containing all information required by the Listing Rules 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 People's Republic of China, 28 March 2024

*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.*