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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 (the “**Reporting Period**”) prepared under the International Financial Reporting Standards (the “**IFRSs**”), together with the comparative figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Revenue	3	412,659	441,051
Cost of revenue		<u>(402,032)</u>	<u>(423,752)</u>
Gross profit		10,627	17,299
Other income, gains and losses	4	3,103	3,939
Selling and marketing expenses		(3,696)	(7,132)
Administrative expenses		(7,678)	(8,916)
Finance costs	5	(6,471)	(11,872)
(Provision for) reversal of loss allowance of financial assets and contract assets, net	6	<u>(27,958)</u>	<u>10,984</u>
(Loss) profit before tax		(32,073)	4,302
Income tax credit (expenses)	7	<u>20,411</u>	<u>(3,839)</u>
(Loss) profit and total comprehensive (expenses) income for the year	8	<u>(11,662)</u>	<u>463</u>
(Loss) profit and total comprehensive (expenses) income attributable to:			
– Owners of the Company		(11,384)	445
– Non-controlling interests		<u>(278)</u>	<u>18</u>
		<u>(11,662)</u>	<u>463</u>
(LOSS) EARNINGS PER SHARE	10		
Basic and diluted (RMB)		<u>(2.85) cents</u>	<u>0.11cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property and equipment		343	429
Intangible assets		22	27
Deferred tax assets		10,532	3,542
		10,897	3,998
Current assets			
Trade receivables, prepayments and other receivables	<i>11</i>	426,262	341,100
Amounts due from related companies		211	831
Contract assets		131,714	23,472
Bank balances and cash		5,081	34,865
		563,268	400,268
Total assets		574,165	404,266
Capital and reserves			
Share capital		3,578	3,578
Reserves		202,682	214,066
Equity attributable to owners of the Company		206,260	217,644
Non-controlling interests		(136)	142
Total equity		206,124	217,786

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>12</i>	212,450	39,007
Tax payables		148	14,570
Contract liabilities		38,259	16,612
Bank and other borrowings		87,184	115,984
Lease liabilities		—	307
		338,041	186,480
Non-current liabilities			
Other borrowings		30,000	—
		30,000	—
Total liabilities		368,041	186,480
Total equity and liabilities		574,165	404,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF 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 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 and presentation of consolidated financial statements

Going concern

Notwithstanding that the Group has relatively low level of bank balances and cash of approximately RMB5,081,000 compared to bank and other borrowings which is repayable within one year of approximately RMB87,184,000 as at 31 December 2022, 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 Group will be able to obtain available financing from banks through successful negotiations for extension or renewal of those existing bank borrowings of approximately of RMB82,200,000 that are repayable within 1 year from the end of the reporting period; and
- (ii) 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.

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

In the current year, the Group has applied, for its first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract
Amendments to IFRSs	Annual Improvements to IFRS 2018 - 2020 cycle

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.

New and amendments to IFRSs issued but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 amendment to IFRS17)	Insurance Contracts ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ³
Amendments to IAS 1	Classification of liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

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.

3. REVENUE AND SEGMENT INFORMATION

Revenue by services nature

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Television (“TV”) advertising services		
– Hard-sell TV advertising services (<i>Note</i>)	72,552	70,724
– Advertising solution packages involving soft-sell TV advertising services (<i>Note</i>)	29,838	21,097
	<u>102,390</u>	91,821
Online advertising services	295,237	221,491
Outdoor advertising services	10,844	112,325
Other advertising services	4,188	15,414
	<u><u>412,659</u></u>	<u><u>441,051</u></u>

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.

(i) Disaggregation of revenue from contracts with customers

Revenue by customer types

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Advertisers	164,503	82,746
Advertising agents	248,156	358,305
	<u><u>412,659</u></u>	<u><u>441,051</u></u>

Revenue by categories of products or services being advertised

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Household furnishings and electronics	185,581	303,489
Internet and mobile games	136,510	–
Foods and beverages	87,435	12,425
Automobile	618	63,702
Tissue	–	28,434
Telecommunications	–	14,647
Others	2,515	18,354
	<u><u>412,659</u></u>	<u><u>441,051</u></u>

Timing of revenue recognition

	2022	2021
	RMB'000	RMB'000
Over time	<u>412,659</u>	<u>441,051</u>

(ii) Performance obligations for contracts with customers

The Group principally earns 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 fulfillment of the advertising services.

(iii) 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.

(iv) 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 2022 and 2021, 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 major customers

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

	2022	2021
	RMB'000	RMB'000
Customer A ¹	92,689	128,493
Customer B ²	136,521	105,000

¹ Revenue from TV advertising services and online advertising services.

² Revenue from online advertising services.

4. OTHER INCOME, GAINS AND LOSSES

	2022	2021
	RMB'000	RMB'000
Interest income on bank deposits	3	63
Government grants (<i>Note (i)</i>)	2,028	3,157
Input tax additional deduction on value added tax (<i>Note (ii)</i>)	1,126	885
Loss on written-off of property, plant and equipment	(28)	–
Others	(26)	(166)
	3,103	3,939

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 April 2019 to 31 December 2022 according to relevant law on value added tax of the PRC.

5. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interests on:		
Bank and other borrowings	4,900	6,797
Lease liabilities	<u>2</u>	<u>10</u>
	4,902	6,807
Guarantee fees on bank borrowings	<u>1,569</u>	<u>5,065</u>
	<u>6,471</u>	<u>11,872</u>

6. PROVISION FOR (REVERSAL OF) LOSSES ALLOWANCES OF FINANCIAL ASSETS AND CONTRACT ASSETS, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Provision for losses allowances of:		
– Trade receivables	19,352	–
– Other receivables	–	185
– Contract assets	<u>8,950</u>	<u>334</u>
	<u>28,302</u>	<u>519</u>
Reversal for losses allowances of:		
– Trade receivables	–	(8,229)
– Other receivables	(344)	–
– Loan receivable	<u>–</u>	<u>(3,274)</u>
	<u>(344)</u>	<u>(11,503)</u>
Total provision for (reversal of) losses allowances	<u>27,958</u>	<u>(10,984)</u>

7. INCOME TAX (CREDIT) EXPENSES

	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”)		
Current year taxation	566	1,017
(Over-) under-provision in prior year	(13,987)	73
Deferred taxation	<u>(6,990)</u>	<u>2,749</u>
	<u>(20,411)</u>	<u>3,839</u>

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.

* *English name is for identification purpose only.*

8. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Staff costs		
Directors' and chief executive's emoluments	1,265	1,803
Other staff:		
– Salaries and other allowances	4,586	6,118
– Performance related bonuses (<i>Note</i>)	–	1,143
– Retirement benefits scheme contributions (excluding directors and chief executive)	1,658	2,293
	<u>7,509</u>	<u>11,357</u>
Total staff costs		
	<u>7,509</u>	<u>11,357</u>
Amortisation of intangible assets	5	6
Depreciation of property and equipment	58	1,385
	<u>63</u>	<u>1,391</u>
Total depreciation and amortisation		
	<u>63</u>	<u>1,391</u>
Auditors' remuneration	930	1,100
Cost of revenue recognised relating to short-term leases	6,416	41,099
	<u>6,416</u>	<u>41,099</u>

Note: Performance related bonuses are determined by the management of the Company based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022 (2021: nil), nor has any dividend been proposed since the end of the reporting period.

10. (LOSS) EARNINGS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss) earnings for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(11,384)</u>	<u>445</u>

Number of shares

2022 2021
'000 **'000**

Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ('000 shares)	400,000	400,000
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The diluted (loss) earnings per share were the same as the basic (loss) earnings per share as there was no diluted potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

11. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

2022 2021
RMB'000 **RMB'000**

Receivables at amortised cost comprise:

Trade receivables – contracts with customers	281,508	306,721
Less: loss allowance for trade receivables	(32,461)	(13,109)
	249,047	293,612
Receivable from a supplier	–	4,238
Receivable from Investment A	–	750
Rental and other deposits	2,327	3,061
Others	7,352	3,654
	9,679	11,703
Less: loss allowance for other receivables	(231)	(575)
	9,448	11,128
Deductible value-added tax	7,065	4,293
Prepayments to suppliers	160,702	32,067
	167,767	36,360
Total	426,262	341,100

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 (2021: 15 to 90 days) after issued billings to customers.

For online advertising services, the Group generally provides credit periods ranging from 15 to 90 days (2021: ranging from 15 to 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	63,710	139,483
31 – 90 days	2,210	25,754
91 – 180 days	17,143	37,794
181 – 360 days	120,518	72,787
Over 365 days	45,466	17,794
	<hr/>	<hr/>
Total	249,047	293,612
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of approximately RMB249,047,000 (31 December 2021: RMB293,612,000), which are past due as at the reporting date. The Group does not hold any collateral over these balances or charge any interest thereon.

12. TRADE PAYABLES AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	200,164	32,203
Staff cost payables	3,548	2,281
Other tax payables	2,403	1,118
Listing expenses payables	756	817
Interest payable	784	1,222
Accrued expenses	4,795	1,366
	<u>212,450</u>	<u>39,007</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 30 days	149,839	11,237
31 – 90 days	22,776	17,352
Over 90 days	27,549	3,614
	<u>200,164</u>	<u>32,203</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. 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

In 2022, with increasing risks of global economic stagnation and slowdown in growth, data from the National Bureau of Statistics shows that the preliminary estimate of annual gross domestic product (GDP) in China for 2022 was RMB121,020.7 billion, an increase of 3% at constant prices over the previous year. The overall advertising market was weakened by the impact of the pandemic and the complex and challenging domestic and international market environment, with advertisers adopting a more cautious and retrenching strategy in advertising for risk aversion. The advertising market declined by 11.8% year-on-year in 2022. In terms of performance by month, the market continued to decline since the beginning of the year, with a more pronounced decline on a month-over-month comparison, and clear signs of recovery for the overall market were seen in the second half of the year. However, as certain cities were severely affected by the pandemic towards the end of the year, the placement of many types of advertising channels was affected and the market experienced more volatility again. As of December 2022, the advertising market resumed growth as compared with the previous month. (Source: CTR Media Intelligence, “China Advertising Market Overview 2022”). With further optimisation of the pandemic prevention and control policy and the introduction of consumer incentive measures by local governments to enhance consumption capacity and create consumption scenes, the overall consumer market has recovered steadily and the trend is expected to continue in 2023. With the improvement of the market environment, the advertising market will walk out from the volatile period and head for another growth cycle in 2023.

Group Overview

In view of market pressure, in 2022, the Group focused on its existing traditional strengths and core competencies in content marketing by integrating its strengths in a timely manner in accordance with the actual advertising needs of its customers, while at the same time adjusting and optimising its business structure to increase its online advertising services and integrated marketing services, with a view to providing professional and efficient content marketing and quality integrated marketing services to our customers, thereby driving the steady growth of the Group.

Business review

TV advertising services

The Group provides professional and personalised TV advertising solutions to its customers and with its long-standing relationships with key suppliers, it is able to provide its clients with a wealth of cost-effective communication resources, help them achieve excellent advertising effect within their budget and maximise the effectiveness of advertising. During the Reporting Period, in the face of the severe market environment under the impact of the pandemic, we consolidated our strengths and upgraded our TV advertising business to a more in-depth and comprehensive communication service, optimised our media resources portfolio to enhance our competitiveness, and strived to provide more precise and effective personalised advertising solutions to our clients. During the Reporting Period, the Group provided brand or product advertising services to a well-known branded beverage seller and a leading household appliance manufacturer in China, and gained recognition from various well-known customers.

In terms of content marketing business, the Group has been actively improving its creative design and communication capability to complete content placement ideas, content integration planning, secondary communication marketing and implementation action plans for various customers, so as to enhance customers' brand value by content integration. During the Reporting Period, the Group successively provided services to major advertiser customers, including a leading home appliances manufacturer in China with headquarter located in Qingdao and a leading kitchen appliances manufacturer with headquarter located in Ningbo. Project cooperation involves the cooperation between the said leading home appliances manufacturer in China (headquartered in Qingdao) and Shenzhen Satellite TV for holding a press conference on the launch of a scientific knowledge program, and cooperation between the leading kitchen appliances manufacturer advertiser with headquarter in Ningbo and a provincial Satellite TV station in Shanghai on a large-scale home refurbishment program. During the Reporting Period, revenue from the TV advertising services business amounted to approximately RMB102.4 million.

Online advertising services

In response to the current development trend of the Internet media and advertisers' demand, the Group continues to increase its online advertising and communication services. Leveraging on the advantages of the online media and new media resources matrix, the Group continues to enhance its Internet integration services through big data and precise placement technology, and provide customers with quality and effective digital advertising resources and one-stop online marketing solutions. During the Reporting Period, the Group served some of the large online mobile game companies and other clients in China. With respect to their cooperation, 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 recognised and appreciated by the clients.

At the same time, we fully explored the integrated needs of our clients in the area of Internet communications, leveraging on our accumulated strengths and experience in television content marketing and communications, and enhanced our Internet variety show content communication services, creating a strong binding between our successful experience in digital advertising and traditional business to provide one-stop integrated digital marketing solutions to our clients, enhancing their communication effectiveness and brand influence on the Internet. During the Reporting Period, our Internet variety show projects included a reality show for observation of intimate relationship for a leading Chinese household appliances manufacturer headquartered in Qingdao and the world's first scene-based brand with the first site-based theatre evening show; a romance-observation variety show with the advertiser which is China's leading can and beverage manufacturer based in Xiamen, Fujian, etc. During the Reporting Period, revenue from online advertising services amounted to approximately RMB295.2 million.

Outdoor advertising services

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. With our high-quality outdoor advertising resources and good connections with relevant suppliers, we provide our customers with a variety of scenes and integrated communication solutions for scenes. During the Reporting Period, the Group placed outdoor advertisements such as bus bodies and LEDs for a well-known household appliance manufacturer in the PRC (another manufacturer based in Qingdao), a major Chinese oil refiner in the PRC and a beer producer based in Qingdao.

As a result of the repeated outbreaks of the pandemic, outdoor advertising was seriously affected by the lockdown and control measures in various regions and home offices, advertisers were more cautious in placing outdoor advertisements than in the past, and less budget was allocated for outdoor advertisements of our customers fell or placements were postponed, resulting in a significant drop in revenue from the Group's outdoor advertising business. During the Reporting Period, revenue from outdoor advertising services business amounted to approximately RMB10.8 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to develop and utilise resources in new areas such as brand strategy design services, radio advertising and magazine advertising to meet customers' diversified advertising needs. During the Reporting Period, the Group provided brand culture IP strategy design and organised cultural bottle design and other related communication cooperation projects for a well-known brand of cooked water beverage seller.

As a result of the recurring pandemic in the PRC and the increasing downward pressure on the Chinese economy, overall demand in the consumer market was weak with declining consumer confidence. Against this background, advertisers reduced their budgets for other diversified ancillary advertising or suspended other advertising placements, resulting in a larger decline in revenue from the Group's other advertising business. Revenue from other advertising services amounted to approximately RMB4.2 million.

Financial review

Revenue and loss and total comprehensive income attributable to the owners of the Company

During the Reporting Period, the Group recorded revenue of approximately RMB412.7 million, representing a decrease of 6.4% from approximately RMB441.1 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 RMB102.4 million, representing an increase of approximately 11.5% from approximately RMB91.8 million for the corresponding period last year.
- (2) During the Reporting Period, revenue from online advertising services was approximately RMB295.2 million, representing an increase of 33.3% from approximately RMB221.5 million for the corresponding period last year. The revenue for such business increased, which was mainly attributed to the increase in the advertising investment of the customers during the pandemic.
- (3) During the Reporting Period, revenue from outdoor advertising services was approximately RMB10.8 million, representing a decrease of 90.4% from approximately RMB112.3 million for the corresponding period last year. As a result of the repeated outbreaks of the pandemic, outdoor advertising was severely affected by the lockdown and control measures in various regions and the implementation of home office, advertisers were more cautious in placing outdoor advertising than before, and outdoor advertising budgets of our customers declined or were postponed, resulting in a significant decline in revenue from the outdoor advertising services of the Group.
- (4) During the Reporting Period, revenue from other advertising services was approximately RMB4.2 million, representing a decrease of 72.8% from RMB15.4 million for the corresponding period last year. As a result of the repeated outbreaks of the pandemic causing lockdown and control measures in various regions and home offices, it was unavailable for other advertising to have on-site communication, and customers had reduced investment due to the pandemic, causing business delay or being unable to proceed, leading to the significant decrease in revenue from the other advertisement services of the Group.

During the Reporting Period, the loss and total comprehensive expense attributable to the owners of the Company was approximately RMB11.4 million, while that of the corresponding period last year was approximately RMB0.4 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 RMB10.6 million and approximately 2.6%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB17.3 million and approximately 3.9%, respectively. The Group's gross profit margin was lower than the level of the corresponding period, which is mainly due to the uncontrollable factor (the pandemic) resulting in insufficient work from all industries in China during the Reporting Period. In particular, Beijing has a longer period under such impact, with measures regarding quarantine at home for more than 40 days and the implementation of flexible work system for two months following resumption of work. The decrease in revenue was greater than the decrease in cost.

OTHER INCOME, GAINS AND LOSSES

During the Reporting Period, other income, gains and losses of the Group amounted to approximately RMB3.1 million, representing a decrease of 21.2% from approximately RMB3.9 million for the corresponding period last year. During the Reporting Period, other income, gains and loss were mainly attributable to subsidies received from the local government of approximately RMB2.0 million and additional deductions of input tax on value-added tax of approximately RMB1.1 million. Other income, gains and losses for the same period last year were mainly attributable to the subsidy received from the local government, fair value gain of financial assets at FVTPL 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 RMB3.7 million, representing a decrease of approximately 48.2% from approximately RMB7.1 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 Group's business operations being affected by the outbreak and escalation of the COVID-19 pandemic, leading to the reduction of 12 full-time staff as compared with same period last year.

Administrative expenses

During the Reporting Period, the Group's administrative expenses was approximately RMB7.7 million, representing a decrease of approximately 13.9% from approximately RMB8.9 million in the same period last year. The main reason for the decrease in administrative expenses of the Group was due to the Group's business operations being affected by the outbreak and escalation of the COVID-19 pandemic, leading to the reduction of 12 full-time staff as compared with same period last year.

Finance costs

During the Reporting Period, finance costs of the Group amounted to approximately RMB6.5 million (same period last year: approximately RMB11.9 million), representing a decrease of 45.5%, which was mainly due to the change in part of the loan structure in 2022 caused by the decrease in bank borrowings.

Provision for (reversal of) 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 of approximately RMB28.0 million (same period last year: reversal of losses allowances of financial assets and contract assets of approximately RMB11.0 million), which was due to the decrease of Group's accounts receivable turnover rate.

Income tax credit (expense)

For the Reporting Period, the Group's income tax credit was approximately RMB20.4 million (same period last year: income tax expense of approximately RMB3.8 million), which was primarily due to (i) over-provision of income tax in prior years; and (ii) deferred taxation as a result of impairment of loss.

(Loss) profit and total comprehensive (expenses) income for the year

The Group's loss and total comprehensive expense for the Reporting Period was approximately RMB11.7 million (same period last year: profit and total comprehensive income of approximately RMB0.5 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 2022, the deferred tax assets were approximately RMB10.5 million (31 December 2021: approximately RMB3.5 million).

Trade receivables, prepayments and other receivables

As at 31 December 2022, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB426.3 million (31 December 2021: approximately RMB341.1 million), representing an increase of approximately 25.0% as compared to the previous year. The increase in trade receivables was mainly due to seasonal fluctuations in customer demand for the Group's advertising services.

Contract assets

As at 31 December 2022, the Group's contract assets were approximately RMB131.7 million (31 December 2021: approximately RMB23.5 million).

Trade and other payables

As at 31 December 2022, trade and other payables of the Group amounted to approximately RMB212.5 million (31 December 2021: approximately RMB39.0 million), representing a year-on-year increase of approximately 444.7%, which is attributable to the increase in partial placements from customers. The revenue was stable.

Tax payables

As at 31 December 2022, tax payables amounted to approximately RMB0.1 million (31 December 2021: approximately RMB14.6 million), representing a decrease of approximately 99.0% as compared with the previous year. It was mainly due to a decrease in the business volume of the Group.

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 2022. 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 (the “**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 2022, bank balances and cash amounted to approximately RMB5.1 million (31 December 2021: approximately RMB34.9 million) of which, substantially all was in RMB.

As at 31 December 2022, the Group's total assets was approximately RMB574.2 million, of which equity attributable to the owners of the Company was approximately RMB206.3 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 53.4% as at 31 December 2021 to approximately 56.9% as at 31 December 2022. 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

Outlook

Looking ahead to 2023, with the continuous optimisation and adjustment of the pandemic prevention and control policies, the society is rapidly returning to normalcy and market demand will gradually pick up, so is expected for China's economy in general, but the recovery process still faces a series of challenges. As the current international situation is complex and severe, China's economic development still faces a lot of uncertainties, putting the development of the advertising industry under more pressure and challenges. However, we remain confident and optimistic about the medium to long term prosperity of the Chinese economy, which will be the main stabiliser and source of power for the world's economic growth. We believe that with effective anti-epidemic measures and favourable economic policies, China's economy will improve and sustain its growth and the advertising market is expected to have more room for growth in 2023.

Amidst the changes in the economic environment and the advertising industry and the pressure on its operations, the Group will continue to adjust and optimise its business structure in 2023 in response to changes in the pandemic and the actual communication needs of its customers, expand its online advertising services and Internet integrated marketing business, and further strengthen its core competitiveness in content marketing and integrated communication.

In terms of TV advertising business, we will continue to maintain our core strengths in TV advertising and content marketing communications, and continue to optimise our marketing strategy and media product mix to enhance our competitiveness, maintain our existing quality clients, acquire more new clients and enhance the brand influence of our clients through effective TV advertising.

In terms of digital advertising and digital marketing, we will continue to increase our 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, we 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 our clients with one-stop digital marketing solutions, helping them to gain better outcome in placing online advertisements and grow their brand popularity.

In terms of outdoor advertising, we will increase our brand communication services for outdoor advertising according to the actual communication needs of our clients, providing them with a variety of scenes and integrated communication solutions for scenes. At the same time, we will continue to keep abreast of new technologies, make use of them to explore new forms of media advertising, develop new advertising businesses for market expansion, provide new advertising value to our clients and explore new profit growth points.

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 2022 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 2022 (year ended 31 December 2021: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN 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 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 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 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 2022. 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 2022 have been agreed by the Company’s auditor, Prism Hong Kong and Shanghai Limited (“**Prism**”) (formerly known as UniTax Prism (HK) CPA Limited), 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 2022 containing all information required by the Listing Rules will be dispatched to the Shareholders 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 People's Republic of China, 30 March 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.