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Ruicheng (China) Media Group Limited
瑞誠(中國)傳媒集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1640)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Ruicheng (China) Media Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2024 (the “**period under review**”), together with the comparative figures for the corresponding period in 2023 as follows:

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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	67,144	217,735
Cost of revenue		<u>(62,190)</u>	<u>(210,454)</u>
Gross profit		4,954	7,281
Other income, gains and losses	4	35	544
Selling and marketing expenses		(984)	(1,145)
Administrative expenses		(5,486)	(3,655)
Finance cost	5	(2,732)	(2,403)
Gain on disposal of a subsidiary	14	474	–
Reversal of (impairment losses) of financial assets, net		<u>13,266</u>	<u>(503)</u>
Profit before tax		9,527	119
Income tax expenses	6	<u>(4,161)</u>	<u>(15)</u>
Profit and total comprehensive income for the period	7	<u>5,366</u>	<u>104</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		5,366	146
Non-controlling interests		<u>–</u>	<u>(42)</u>
		<u>5,366</u>	<u>104</u>
Earnings per share attributable to the owners of the Company			
Basic and diluted (RMB)	8	<u>1.31 cents</u>	<u>0.04 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property and equipment		291	319
Intangible assets		14	17
Deferred tax assets		15,604	20,765
		<u>15,909</u>	<u>21,101</u>
Current assets			
Trade receivables, prepayments and other receivables	<i>10</i>	547,759	518,563
Amounts due from related companies		100	100
Contract assets		–	18,038
Bank balances and cash		37,629	17,854
		<u>585,488</u>	<u>554,555</u>
Total assets		<u>601,397</u>	<u>575,656</u>
Capital and reserves			
Share capital	<i>13</i>	4,308	3,578
Reserves		219,796	179,211
Equity attributable to owners of the Company		224,104	182,789
Non-controlling interests		(16)	(16)
Total equity		<u>224,088</u>	<u>182,773</u>

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	<i>11</i>	237,487	210,894
Amounts due to directors		10,250	14,673
Amount due to a shareholder		156	–
Tax payable		120	1,258
Contract liabilities		19,512	17,074
Bank and other borrowings	<i>12</i>	88,984	118,984
		356,509	362,883
Non-current liabilities			
Bank and other borrowings	<i>12</i>	20,800	30,000
		20,800	30,000
Total liabilities		377,309	392,883
Total equity and liabilities		601,397	575,656

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

1.1 General information

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

The address of the Company’s registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is 1602, 13/F, Building 7, No. 63 Xidawang Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**” or “**China**”). The Company is an investment holding company and its subsidiaries are principally engaged in the provision of advertising services in the PRC.

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

These interim condensed consolidated financial statements are unaudited.

1.2 Basis of preparation

The Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (the “**IAS**”) 34 “**Interim Financial Reporting**” issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules of Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning 1 January 2024 for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to international Interpretation 5 (2020)
Amendments to IAS 1	Non-current Liabilities with Covenants

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

3. REVENUE AND SEGMENT INFORMATION

Revenue by services nature

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Television (“TV”) advertising services		
– Hard-sell TV advertising services (<i>Note</i>)	16,255	99,237
Online advertising services	17,877	110,242
Outdoor advertising services	12,264	7,979
Other advertising services	20,748	277
	67,144	217,735

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

(i) Disaggregation of revenue from contracts with customers

Revenue by customer types

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Advertisers	19,635	31,650
Advertising agents	47,509	186,085
	67,144	217,735

Revenue by categories of products or services being advertised

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Household furnishing and electronics	26,632	70,649
Food and beverages	30,887	50,479
Telecommunications	–	28,264
Automobile	1,887	–
Others	7,738	68,343
	67,144	217,735

Time of revenue recognition

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Over time	67,144	217,735

(ii) Segment information

Information reported to Directors, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. During the six months ended 30 June 2024, the CODM assesses the operating performance of the continuing operations and allocates resources of the Group as a whole, as all of the Group’s activities are considered to be primarily the provision of advertising services. Accordingly, the CODM considers there is only one operating segment under the requirements of IFRS 8 Operating Segments. In this regard, no segment information is presented.

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

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank deposits	5	2
Government grants (<i>Note (i)</i>)	27	–
Input tax additional deduction on value-added tax (<i>Note (ii)</i>)	–	637
Foreign exchange gains, net	–	1
Others	3	(96)
	35	544

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% deduction on value added tax from 1 January 2023 to 31 December 2023 according to relevant law on value added tax of the PRC.

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	<u>2,732</u>	<u>2,403</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax (“EIT”)		
– Current period	88	141
– Deferred tax	<u>4,073</u>	<u>(126)</u>
Income tax expenses	<u>4,161</u>	<u>15</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. Subsequent to 31 December 2020, Ministry of Finance in PRC issued 2020 notice no. 23 to extend the tax concession period to 31 December 2030.

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

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

* English name is for identification purpose only

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	12	20
Amortisation of other intangible assets	3	2
	<hr/>	<hr/>
Total depreciation and amortisation	15	22
Staff costs		
Salaries and allowances	1,980	1,877
Retirement benefits contribution	–	–
	<hr/>	<hr/>
Total staff costs	1,980	1,877
Auditor's remuneration	80	75
Expenses relating to short-term leases	646	472
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8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	5,366	146
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Number of shares

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	410,549	400,000
	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 30 June 2024, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share placing on 7 June 2024.

Diluted earnings per share were the same as the basic earnings per share as there was no dilutive potential ordinary shares in existence during the six months ended 30 June 2024 and 2023.

9. DIVIDENDS

The director of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: nil).

10. TRADE RECEIVABLES, PERPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Trade receivables – contracts with customers	286,771	403,410
Less: loss allowance for trade receivables	<u>(62,345)</u>	<u>(82,033)</u>
	<u>224,426</u>	<u>321,377</u>
Rental and other deposits	1,588	1,838
Others	<u>11,222</u>	<u>7,265</u>
	12,810	9,103
Less: loss allowance for other receivables	<u>(73)</u>	<u>(84)</u>
	<u>12,737</u>	<u>9,019</u>
Deductible value-added tax	2,310	5,367
Prepayments to suppliers (<i>Note (i)</i>)	<u>308,286</u>	<u>182,800</u>
	<u>323,333</u>	<u>188,167</u>
Total	<u><u>547,759</u></u>	<u><u>518,563</u></u>

Notes:

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

The Group's trade receivables with certain customers are used to secure certain bank borrowings which is disclosed in Note 12.

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

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

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

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

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

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
0 – 30 days	21,059	95,333
31 – 180 days	–	–
181 – 360 days	69,637	159,435
Over 360 days	133,730	66,609
	<u>224,426</u>	<u>321,337</u>

11. TRADE AND OTHER PAYABLES

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Trade payables	130,664	195,476
Staff cost payables	4,505	5,163
Other tax payables	13	178
Listing expenses payables	756	756
Interest payable	237	775
Accrued expenses	101,312	8,546
	<u>237,487</u>	<u>210,894</u>

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
0 to 30 days	26,801	77,676
31 to 90 days	–	–
Over 90 days	<u>103,863</u>	<u>117,800</u>
Total	<u><u>130,664</u></u>	<u><u>195,476</u></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.

12. BANK AND OTHER BORROWINGS

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Bank and other borrowings		
– Secured (<i>Note (i) and (ii)</i>)	104,800	144,000
Other borrowings		
– Unsecured (<i>Note (iii)</i>)	<u>4,984</u>	<u>4,984</u>
Total	<u><u>109,784</u></u>	<u><u>148,984</u></u>

Notes:

- (i) The bank loans were guaranteed by four (31 December 2023: four) independent third party guarantors, who charged the Group an upfront guarantee fees range from 1.80% to 2.50% (31 December 2023: from 1.80% to 2.50%) of the corresponding loan principal amounts.

The effective interest rates (which are also equal to contracted interest rates) of these bank loans range from 3.00% to 6.00% (31 December 2023: from 3.00% to 6.00%) per annum as at 30 June 2024.

- (ii) The Group borrowed a loan with an outstanding amount of RMB9,000,000 as at 30 June 2024 (as at 31 December 2023: RMB30,000,000) with a repayable term of three years which will be matured on 15 September 2025, and guaranteed by an independent third party guarantor who charged the Group an upfront guarantee fees of 1.70%. The loan bears a fixed interest rate of 6.00% per annum.

- (iii) During the year ended 31 December 2021, the Group borrowed a loan of approximately RMB4,984,000 from its shareholder. Such borrowing was unsecured, non-interest bearing and repayable on demand.

The loan agreements do not impose any covenants.

14. DISPOSAL OF A SUBSIDIARY

On 28 June 2024, the Group entered into an equity transfer Agreement with an independent third party not connected with the Group for the disposal of entire equity interest in Shanghai Kailun Advertising Co., Ltd* (上海凱倫廣告有限公司) (“**Shanghai Kailun**”), the indirectly owned subsidiary of the Company, at a cash consideration of RMB200,000. Details of the net assets disposed of in respect of the above transactions are summarised below:

	<i>RMB'000</i>
Analysis of assets and liabilities over which control was lost:	
Property and equipment	16
Deferred tax assets	5,135
Trade and other receivables	85,741
Contract assets	1,874
Amount due from group companies	12,379
Bank balances and cash	16
Trade and other payables	(80,494)
Contract liabilities	(20,391)
Amount due to group companies	(4,550)
	<hr/>
Net liabilities disposed of	(274)

	<i>RMB'000</i>
Gain on disposal of a subsidiary	
Consideration receivable	200
Net liabilities disposed of	274
	<hr/>
	474
	<hr/> <hr/>

Net cash inflow arising on disposal:

Cash consideration received	200
Less: bank balances and cash disposed of	(16)
	<hr/>
	184
	<hr/> <hr/>

15. SUBSEQUENT EVENTS

On 24 July 2024, the Company entered into a sales and purchase agreement with independent third parties in respect of an acquisition of entire holding interest of Charm Linkage Holdings Limited and its subsidiaries with a total consideration amount of HK\$82,600,000, which will be settled 1) partially by the allotment and issue of the 80,000,000 new shares of the Company at the issue price of HK\$0.60 per share (“**Consideration Shares**”); and 2) partially by payment of cash pursuant to the terms and conditions stipulated from sales and purchase agreement. On 13 August 2024, the Company has completed the allotment and issue of Consideration Shares.

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MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview and Business Review

(I) Market overview

In the first half of 2024, China's economy continued to manifest a strong momentum of recovery. The latest data released by the National Bureau of Statistics showed that the Gross Domestic Product (GDP) achieved a year-on-year growth of 5.0%, demonstrating a good trend of overall stability and stable growth. In such an environment, China's advertising market has closely followed the pace of economic recovery, achieving a high degree of compatibility with national economic trends, and further validating the role of the advertising industry as an economic barometer. According to the data released by CTR Media Intelligence, the advertising market as a whole showed steady growth in the first half of this year, with a year-on-year growth of 2.7%. Such result reflects not only the inherent resilience of the advertising industry, but also the market's positive expectations for economic recovery. Especially in June, the advertising expenses recorded a year-on-year growth of 1.6%, further reinforcing the growth momentum in the first half of the year.

On 6 June 2024, CTR, together with the School of Advertising of Communication University of China and the National Institute of Advertising, released the "2024 Survey Report on Chinese Advertisers' Marketing Trend" at the Academic Centre of Communication University of China, which profoundly reveals the inherent vitality and resilience of the advertising market.

It pointed out that under the complex and volatile macro-environment, China's advertising market has not only gained sound momentum of overall recovery, but also stimulated advertisers' higher expectations for future development. In the face of limited room for budget growth, advertisers have demonstrated a high degree of resourcefulness and pragmatism by focusing on the core principle of "efficient investment yields superior return", which put forward more stringent standards for the effectiveness of the advertising campaign and return on investment. In the meantime, they proactively optimised their internal management and precisely deployed resources to shore up their core competitive advantages. In addition, the advertiser community also fully recognised the importance of stakeholders' confidence to market stability and development. Hence, they have taken the initiative and endeavoured to build a healthier, more transparent and positive market ecosystem, thus effectively bolstering the overall market confidence.

Underpinned by the abovementioned positive market trends and solid supporting factors, we have good reasons to expect that, in the coming second half of 2024, with the continuous steady development of the advertising market and the growing market confidence, the performance of our Company is set to witness a more significant improvement and enhancement, and to open up a new chapter of even more brilliant and vast development.

(II) Business review

TV advertising services

Nowadays, there are various forms of media and the audience's contact with media is diversified and dispersed. The market competition is fierce, but the core position of TV media at the consumer audience level remains strong, and the value-creation capability of TV advertising is widely recognised by advertisers, with the authoritative media represented by TV media endorsing the brand and shaping the brand's main line of value. The Group provides professional and customised TV advertising solutions to its customers. By leveraging its long-term business relationship with major suppliers, the Group is able to provide customers with a wealth of cost-effective communication resources, deliver high-quality advertising displays within their budgets, and maximise the value of advertising.

During the period under review, the Group integrated its advantages, upgraded its TV advertising services into more comprehensive and in-depth communications services, optimised its media resources portfolio to enhance its competitiveness and strived to provide more accurate and effective personalised advertising solutions to its customers.

During the period under review, the Group completed placements of TV advertisements for well-known big brand clients in the food and beverage, furniture and home appliances and other industries respectively, and gained the recognition from multiple well-known clients.

During the period under review, faced with the intense market competition in the TV advertising services industry, the Group sought to maximise the profitability of its business, resulting in a significant decline in the television advertising industry with revenue of approximately RMB16.3 million.

Online advertising services

In terms of online advertising and online marketing, the market is highly competitive with the dispersed business. In response to the current trend of Internet media development and the placement needs of advertisers, the Group reduced its efforts in online advertising. Meanwhile, riding on the strengths and experience accumulated by the Group in TV content marketing and communications, the Group has made all efforts to improve the integrated Internet service capability and strengthened the communication services of Internet variety content, integrating the successful experience of online advertising and traditional business, thus enhancing the professional ability of Internet content integration in future to provide customers with one-stop online marketing solutions and help customers realise better outcome in placing online advertisements and improve their brand popularity.

During the period under review, the Group has provided Internet multi-video media package advertisement placements and Internet online marketing services to well-known big brand clients in science competition industries, and was highly recognised and praised by the clients.

During the period under review, faced with the intense market competition in the online advertising services industry, the Group endeavoured to maximise the profitability of its business, resulting in a significant decline in the online advertising services with revenue of approximately RMB17.9 million.

Outdoor advertising services

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

The outdoor scenes have recovered this year, representing a gradual recovery of vitality. There are various forms of outdoor advertising based on scenarios. With the rapid development of traffic and travel, living areas and business districts, the value of outdoor advertising is becoming prominent year by year. With the accelerated progress of urbanisation, urban space continues to expand, which has provided more displaying space for outdoor advertising. At the same time, the increase in the number of urban residents and the improvement in consumption power have also brought a broader audience group to the outdoor advertising market. By creating creative and interactive outdoor advertising, the Group is able to better resonate with consumers and improve its brand awareness and reputation. As a result, the business projects implemented with cooperative customers have resulted in a significant increase in the Group's revenue from the outdoor advertising business. During the period under review, revenue from the outdoor advertising services business amounted to approximately RMB12.3 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to explore new areas of resources and in-depth collaboration, including the development and utilisation of resources for brand strategy design and services, radio advertising, magazine advertising, newspaper advertising and livestream advertising to meet customers' diversified advertising needs.

During the period under review, the Group provided livestreaming project dissemination services to collaborating brands.

In the first half of the year, the economy saw a mild recovery, the market however remained volatile in the short term. In terms of actual operations, due to fierce market competition and product diversification, advertisers whose principal focus was TV advertising have significantly increased their placement budget for other advertising services and suspended placement in TV advertising and online advertising, resulting in a substantial increase in the Group's revenue from other advertising services. During the period under review, the revenue from other advertising services amounted to approximately RMB20.7 million.

Financial review

Revenue

During the period under review, the Group recorded revenue of approximately RMB67.1 million, representing a significant decrease of approximately 69.2% as compared to approximately RMB217.7 million for the corresponding period of last year. Due to the fierce competition and increased costs in the advertising industry, the Group reduced its placement on less profitable businesses in order to maximise the profitability of its business, which resulted in a decline in the Group's overall revenue.

Revenue details for the period under review:

- (I) During the period under review, revenue from TV advertising services was approximately RMB16.3 million, representing a decrease of 83.6% from approximately RMB99.2 million for the corresponding period of last year. Due to the fierce competition and increased costs in the advertising industry, the Group reduced its placement on the less profitable TV advertising, in order to maximise the profitability of its business, which resulted in a decline in revenue attributable to TV advertising services.
- (II) During the period under review, revenue from online advertising services was approximately RMB17.9 million, representing a decrease of 83.8% from approximately RMB110.2 million for the corresponding period of last year. Due to the fierce competition and increased costs in the advertising industry, the Group reduced its placement on the less profitable online advertising, in order to maximise the profitability of its business, which resulted in a decline in revenue attributable to online advertising services.
- (III) During the period under review, revenue from outdoor advertising services was approximately RMB12.3 million, representing an increase of 53.8% from approximately RMB8.0 million for the corresponding period of last year. Due to the fierce competition and increased costs in the advertising industry, the Company increased its placement on more profitable outdoor advertising, in order to maximise the profitability of its business, which resulted in an increase in revenue attributable to outdoor advertising services.
- (IV) During the period under review, revenue from other advertising services was approximately RMB20.7 million, representing an increase of 6,800% from approximately RMB0.3 million for the corresponding period of last year. Due to the fierce competition and increased costs in the advertising industry, the Company increased its placement on the more profitable other advertising, in order to maximise the profitability of its business, which resulted in an increase in revenue attributable to other advertising services.

During the period under review, profit and total comprehensive income attributable to the owners of the Company amounted to approximately RMB5.4 million, while profit and total comprehensive income attributable to the owners of the Company for the corresponding period of last year amounted to approximately RMB0.1 million.

Gross profit and gross profit margin

During the period under review, the Group recorded gross profit and gross profit margin of approximately RMB5.0 million and 7.4%, respectively. The Group's gross profit and gross profit margin for the corresponding period of last year were approximately RMB7.3 million and 3.3%, respectively.

Other income, gains and losses

During the period under review, other income, gains and loss of the Group amounted to approximately RMB35,000, representing a decrease of approximately 93.0% from approximately RMB0.5 million for the corresponding period of last year. This was primarily due to a significant decline in other income for the current period resulting from the elimination of the tax incentive for additional deduction of value-added tax in 2024.

Selling and marketing expenses

During the period under review, selling and marketing expenses of the Group amounted to approximately RMB1.0 million, representing a decrease of 9.1% from approximately RMB1.1 million for the corresponding period of last year.

Administrative expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB5.5 million, representing an increase of 32.7% from approximately RMB3.7 million for the corresponding period of last year. This was primarily due to an increase in management fees as a result of increasing industry service fees for improving customer satisfaction and work efficiency given the fierce market competition.

Finance costs

During the period under review, finance costs of the Group amounted to approximately RMB2.7 million, representing an increase of 11.1% from approximately RMB2.4 million for the corresponding period of last year.

Reversal of/(impairment losses) of financial assets

During the period under review, the Group's reversal of impairment losses of financial assets was approximately RMB13.3 million, as compared to an impairment loss of approximately RMB0.5 million for the corresponding period of last year, which was mainly due to the fact that the trade receivables attributable to a then subsidiary that was disposed of during the period under review were reversed during the period under review.

Income tax expenses

During the period under review, the Group's income tax expenses was approximately RMB4.2 million, as compared to an income tax expense of approximately RMB15,000 for the corresponding period of last year.

Profit and total comprehensive income

As a result of the foregoing, during the period under review, the Group's profit and total comprehensive income amounted to approximately RMB5.4 million (profit and total comprehensive income for the six months ended 30 June 2023: approximately RMB0.1 million).

Deferred tax assets

As at 30 June 2024, deferred tax assets amounted to approximately RMB15.6 million (as at 31 December 2023: approximately RMB20.8 million), representing a decrease of approximately 25.0% as compared with deferred tax assets as at 31 December 2023.

Trade receivables, prepayments and other receivables

As at 30 June 2024, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB547.8 million (as at 31 December 2023: approximately RMB518.6 million), representing an increase of 5.6% as compared with trade receivables, prepayments and other receivables as at 31 December 2023. The increase in trade receivables, prepayments and other receivables was mainly due to the majority of accounts receivable were within six months during the period under review.

Contract assets

As at 30 June 2024, the Group's contract assets was nil (as at 31 December 2023: approximately RMB18.0 million), representing a decrease of 100% as compared with contract assets as at 31 December 2023. The business performance obligations of the Company have been confirmed by customers and there were no contract assets for the current period.

Trade and other payables

As at 30 June 2024, trade and other payables amounted to approximately RMB237.5 million (as at 31 December 2023: approximately RMB210.9 million), representing an increase of 12.6% as compared with trade and other payables as at 31 December 2023.

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

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

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

On 28 June 2024, Beijing Ruicheng Advertising Co., Ltd. (“**Beijing Ruicheng**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Beijing Youlan Culture Media Co., Ltd. (the “**Purchaser**”), pursuant to which Beijing Ruicheng agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in Shanghai Kailun Advertising Co., Ltd., a then indirect wholly-owned subsidiary of the Company, at a consideration of RMB0.2 million. Completion of such disposal took place on the same day. For further details, please refer to the announcement of the Company dated 28 June 2024.

Liquidity and financial resources

As at 30 June 2024, bank balances and cash was approximately RMB37.6 million (as at 31 December 2023: approximately RMB17.9 million), of which, approximately 9.1% was in RMB, the remaining approximately 90.9% was in HKD and USD, respectively.

Gearing ratio

The Group’s gearing ratio decreased from approximately 81.5% as at 31 December 2023 to approximately 49.0% as at 30 June 2024, which was primarily due to a decrease in bank loans during the period under review.

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

Pledged assets

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

Capital expenditures

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

Contingent liabilities

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

Foreign exchange risk

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

Interest rate risk

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

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

EMPLOYEE AND EMOLUMENT POLICIES

To attract and retain outstanding talent of the Group, the Group provides competitive remuneration packages to its executive Directors and senior management. These comprise salaries and allowance, performance related bonuses, retirement benefits contributions and long-term incentive plan which includes the share option scheme. The remuneration package of executive Directors and senior management is taken reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The performance related bonuses are calculated based on our employees' respective position, duration of services and performance of our employees. The Group assesses the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. The remuneration payable to our employees includes salaries and allowance, performance related bonuses and retirement benefits contributions. The salaries of our employees are generally determined by the employees' respective position, qualification, experience and performance. In order to attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. We provide training programmes for all of our employees to enhance our employees' knowledge, skills and capability relevant to the advertising industry. All of our new hires will be provided with an induction programme to familiarise with the Group, followed by on-the-job training based on departmental needs and the development strategies of the Group. We also provide promotion opportunities for capable employees as we have policies and procedures setting out the assessment criteria for promotion. The independent non-executive Directors' remuneration relates to their time commitment and responsibilities. They receive fees which comprise the following components: (i) Directors' fees, which are usually paid annually; and (ii) share options which are rewarded subject to the discretion of the Board.

As at 30 June 2024, the Group employed a total of 29 full-time employees (as at 30 June 2023: 30 full-time employees). Compared with the total number of employees as at 30 June 2023, the number of employees decreased by one. During the period under review, the relevant staff costs amounted to approximately RMB2.0 million (six months ended 30 June 2023: approximately RMB1.9 million), representing a decrease of approximately RMB0.1 million or approximately 5.0% as compared to the same period last year.

SUBSEQUENT EVENTS AFTER THE PERIOD UNDER REVIEW

On 24 July 2024, the Company entered into a sale and purchase agreement with Ms. Li Ye and Mr. Cong Peijin (collectively, the “**Vendors**”), pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the entire issued shares of Charm Linkage Holdings Limited (創領集團有限公司) for a total consideration of HK\$82,600,000.00 (subject to adjustment), which shall be settled partially by the allotment and issue of 80,000,000 new shares in the Company and partially by payment of cash which can be adjusted. The aforementioned sale and purchase was completed on 13 August 2024. For further details, please refer to the announcements of the Company dated 24 July 2024 and 13 August 2024.

INDUSTRY AND GROUP OUTLOOK

Looking ahead, while the global economy shows signs of recovery in 2024, the path of residents to continuously recover and upgrade their spending power remains shrouded among uncertainty. At the same time, the continuing inflationary pressures and the weakening trend in the global economic environment will undoubtedly further bring intricate influence on consumer’s confidence. Against this backdrop, by upholding a cautious and optimistic strategic vision, the Group will carefully plan and implement its strategy of diversified development to precisely capture and fully utilise the growth opportunities in the market.

The Group is well aware that only by maintaining a high degree of alertness and adaptability can it move forward steadily in the ever-changing market environment. Therefore, the Group will continue to deepen its understanding and insight into the evolving market environment and accelerate the pace of adjusting and optimising the business structure in an effort to strengthen its core competence in content marketing and integrated communication area. Meanwhile, the Group will proactively develop and expand the integrated marketing business presence of its Internet variety show, and create greater value for its clients by continuously improving the quality and efficiency of its services through innovative driver.

Specifically, in terms of the TV advertising business, the Group will resolutely maintain and deepen its core competitive advantages in TV communications and content marketing communications, and will continue to enhance its market competitiveness through continuous optimisation of its marketing strategies and media product mix. The Group strives to maintain and consolidate the co-operative relationships with its existing quality clients, while making tremendous efforts to develop new customer groups so as to help its clients achieve a qualitative leap in their brand influence by leveraging the highly effective communication power of TV advertising.

In terms of online advertising and online marketing, the Group has been keeping abreast of the pulse of the times of Internet media development, taking into full consideration the placement needs of advertisers, and continuing to reinforce its Internet advertising communication service capabilities. Relying on the Group's deep insight and rich experience in the field of TV content marketing and communications, it will further strengthen the communications services in its Internet variety content, continue to enhance its Internet integration service capabilities through innovative Internet digital content and integrated marketing strategy, and provide its clients with all-rounded and one-stop digital marketing solutions, so as to significantly enhance the effectiveness of its clients' placements on the Internet platforms and the influence of their brands.

In addition, in terms of outdoor advertising, the Group will focus on the practical communication requirements of its customers, and deepen the brand promotion services of its outdoor advertising business by providing its customers with communication solutions for diversified and customised scenario and integrated scenarios. At the same time, the Group will develop keen insight into technological innovation to actively utilise new technologies to explore new forms of media advertising. The Group will constantly develop new business areas in advertising with the courage to pursue innovations and breakthroughs, so as to open up a wider market space, create new advertising value for its customers, and actively explore new profit growth points, thereby promoting the overall business development and prosperity of the Group.

Although volatility will still linger ahead in the market, the Group will always maintain steadfast confidence in the medium-long-term prosperity and consumer upgrading of the domestic market. The Group is even more optimistic about its core business that continuously injects vitality to the brand through content marketing and integrated communications. The Group will unwaveringly pursue this strategic direction by constantly optimising its business structure, and gradually stepping up efforts to cultivate and expand the brand operation business of internet platforms. The circular economy harbors enormous market potential and serves as a crucial lever for expanding consumption. With the further stimulation of domestic demand through a new round of trade-in policies, there is a release of consumption potential, bringing about fresh market increment space and opportunities for industry development. Simultaneously, the circular economy continues to drive the green and intelligent trend in the household appliances and digital industries, pushing towards green, low-carbon, and high-quality development, thereby promoting the overall transformation and upgrade of the industry. In August 2024, the Group has commenced a new business line engaging in second-hand electronic products trading business in the PRC. Since August 2024, the revenue generated from that new business operation have been consolidated into the Group's revenue. As of the date of this announcement, the Group's revenue from the second-hand electronic products trading business has recorded revenue and profit. It is expected that such new business line would contribute a considerable amount of revenue and segmental profit to the Group for the whole year of 2024. At the same time, the Group will spare no effort to improve its operational efficiency and continuously reduce costs, improve service quality and speed of response through various measures, such as refined management, technological innovation and process optimisation, providing a strong impetus for long-term profit growth and value creation in the future. The Group firmly believes that with the joint efforts and unremitting endeavours of all employees, the Group will be able to create a more brilliant chapter in the future and bring more substantial value and contributions for its shareholders, customers and the community.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sales of treasury shares) for the six months ended 30 June 2024.

As at 30 June 2024, the Company did not hold any treasury shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE PROVISIONS 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 for the six months ended 30 June 2024.

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 six months ended 30 June 2024.

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

REVIEW OF UNAUDITED INTERIM RESULTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Group’s interim results for the six months ended 30 June 2024 have not been audited by the auditor of the Company. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Li Xue (Chairman), Mr. Wu Ke and Mr. Niu Zhongjie. The Audit Committee has reviewed the Company’s unaudited interim results for the six months ended 30 June 2024 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of financial reporting.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2024 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 PRC, 30 August 2024

As at the date of this announcement, the executive Directors are Ms. Wang Xin, Mr. Leng Xuejun and Mr. Sun Changpeng, and the independent non-executive Directors are Mr. Li Xue, Mr. Wu Ke and Mr. Niu Zhongjie.