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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Ruicheng (China) Media Group Limited (the "**Company**" or "**our Company**") is pleased to announce the unaudited consolidated annual results (the "**Annual Results**") of our Company and its subsidiaries (together, the "**Group**", "**our Group**", "**we**" or "**us**") for the year ended 31 December 2019, together with the comparative figures for the corresponding period in 2018. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Continuing operations			
Revenue	*3*	**845,820**	783,364
Cost of revenue		**(738,992)**	(687,753)
Gross profit		**106,828**	95,611
Other income, gains and loss	*4*	**14,088**	4,119
Selling and marketing expenses		**(15,098)**	(14,875)
Administrative expenses		**(14,248)**	(11,202)
Finance costs	*5*	**(7,576)**	(6,043)
Impairment losses under expected credit loss model, net of reversals	*6*	**(8,942)**	(998)
Listing expenses		**(18,918)**	(4,143)
Profit before tax		**56,134**	62,469
Income tax expense	*7*	**(19,830)**	(15,846)
Profit for the year from continuing operations	*8*	**36,304**	46,623
Discontinued operations			
Loss for the year from discontinued operations	*19*	**–**	(474)
Profit and total comprehensive income for the year		**36,304**	46,149
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company			
– from continuing operations		**36,282**	46,623
– from discontinued operations		**–**	(474)
		36,282	46,149
Profit and total comprehensive income attributable to non-controlling interests			
– from continuing operations		**22**	–
		36,304	46,149
EARNINGS PER SHARE			
From continuing and discontinued operations			
– Basic (RMB)	*10*	**0.12**	0.16
From continuing operations			
– Basic (RMB)	*10*	**0.12**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2019

	Notes	As at 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Non-Current Assets			
Property and equipment		**5,234**	5,493
Other intangible assets		**38**	43
Financial assets at fair value through profit or loss	*11*	**–**	6,050
Deferred tax assets		**2,789**	638
Loan receivable	*12*	**–**	13,000
Long-term deposit		**303**	401
		8,364	25,625
Current Assets			
Trade receivables, prepayments and other receivables	*13a*	**443,700**	208,515
Trade receivables backed by bills	*13b*	**38,000**	–
Amounts due from related parties		**2,819**	14,850
Contract assets	*14*	**6,498**	–
Loan receivable	*12*	**12,579**	–
Bank balances and cash		**68,034**	36,747
		571,630	260,112
Asset classified as held for distribution to owners		**–**	2,243
		571,630	262,355
Total Assets		**579,994**	287,980

	Notes	As at 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Capital and Reserves			
Share capital/paid-in capital		**3,578**	80,800
Reserves		**210,777**	7,011
Equity attributable to owners of the Company		**214,355**	87,811
Non-controlling interests		**142**	120
Total Equity		**214,497**	87,931
Non-current Liabilities			
Lease liabilities		**2,464**	2,795
Current Liabilities			
Trade and other payables	*15*	**240,535**	94,243
Tax payables		**20,120**	9,510
Contract liabilities	*16*	**2,392**	1,748
Bank and other borrowings	*17*	**98,349**	83,523
Amounts due to a related party		**–**	5,000
Lease liabilities		**1,637**	2,250
		363,033	196,274
Liability associated with asset classified as held for distribution to owners		**–**	980
		363,033	197,254
Total Liabilities		**365,497**	200,049
Total Equity and Liabilities		**579,994**	287,980

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is room 302, 3/F, Building C1, Phase II, Dongyi International Media Industrial Park, No. 8 Gaojing Culture Park Road, Chaoyang District, Beijing, People's Republic of China (the "PRC"). 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 are presented in the currency of Renminbi ("RMB"), which is also the functional currency of the Company. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year and early adopted and consistently applied IFRS 16 Lease ("IFRS 16") using the modified retrospective approach (including practical expedient permitted by IFRS 16) since 1 January 2016:

IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

2.2 New and amendments to IFRSs in issue 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	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[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[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the revised Conceptual Framework for Financial Reporting mentioned below, the directors of the Company (the "Directors") anticipate that application of all other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

(i) Disaggregation of revenue from contracts with customers

Revenue by service nature

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Television ("TV") advertising services		
– Hard-sell TV advertising services *(Note)*	**207,934**	290,752
– Advertising solution packages involving soft-sell TV advertising services *(Note)*	**101,148**	236,291
	309,082	527,043
Online advertising services	**433,593**	195,839
Outdoor advertising services	**63,441**	51,568
Other advertising services	**39,704**	8,914
	845,820	783,364

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.

Revenue by customer types

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Advertisers	**504,679**	516,245
Advertising agents	**341,141**	267,119
	845,820	783,364

Revenue by categories of products or services being advertised

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Household furnishing & electronics	**150,932**	258,718
Foods and beverages	**155,384**	210,429
Telecommunications	**25,694**	30,506
Internet and mobile games	**411,570**	183,695
Pharmaceuticals	**67,495**	52,852
Automobile	**15,886**	26,314
Others	**18,859**	20,850
	845,820	783,364

Timing of revenue recognition

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Over time	**845,820**	783,364

(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.

Advertising services, including TV online, outdoor and other advertising services, are principal activities from which the Group generated its revenue.

(i) Revenue from TV advertising services is primarily derived from the placement of advertisements on TV channels or variety shows. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by the actual broadcasted TV advertisements and verified by reports issued by an independent third party with relevant qualification and experience or by customer's confirmations on a monthly basis, which evidenced the advertisement actually broadcasted.

(ii) Revenue from online advertising services is primarily derived from the placement of advertisements on platforms such as websites, mobile applications, social media platforms and search engines. The Group utilised a pricing model based on specific terms of the contract which are commonly based on cost per click or cost per mille. "Cost per mille" means the cost per 1,000 advertisement impressions regardless of whether the advertisement is being clicked by the viewers. The revenue from online advertising services on cost per click or cost per mille basis is recognised over the service period based on the actual clicks or views of the advertisement confirmed by customers.

(iii) Revenue from outdoor advertising services is primarily derived from the placement of advertisements on outdoor platforms such as LED screens on or in buildings, subways or advertising light boxes in car shelters. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

(iv) Revenue from other advertising services are primarily derived from the placement of advertisements on radio channels, newspapers or magazines or organising marketing events. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

(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 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 two years ended 31 December 2019, the CODM assesses the operating performance from 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.

Information about major customers

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer A[1]	**124,891**	N/A[2]
Customer B[3]	**114,116**	189,550
Customer C[4]	**102,724**	N/A[2]
Customer D[5]	**N/A[2]**	136,865

[1] Revenue is from online advertising services.

[2] The corresponding revenue did not contribute over 10% of total revenue of the Group for the relevant year.

[3] Revenue is from TV advertising services.

[4] Revenue is from TV advertising services, outdoor advertising services, and other advertising services.

[5] Revenue is from TV advertising services and online advertising services.

4. OTHER INCOME, GAINS AND LOSS

Continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income on bank deposits	**44**	179
Government grants *(Note i)*	**6,307**	3,940
Fair value gain of financial assets at FVTPL *(Note ii)*	**2,594**	–
Input tax additional deduction on value added tax *(Note iii)*	**2,776**	–
Gains on early termination of a lease *(Note iv)*	**1,100**	–
Loss on disposal of property and equipment	**(187)**	–
Interest income on loan receivable	**1,103**	–
Foreign exchange gains	**191**	–
Others	**160**	–
	14,088	4,119

Notes:

(i) The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies. 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 financial assets at FVTPL represented investments in TV series and internet dramas. During the year ended 31 December 2019, both of the investments were derecognised as set out in Note 11.

(iii) The PRC subsidiaries were granted an input tax additional 10% deduction on value added tax from 1 April 2019 to 31 December 2021 according to relevant law on value added tax of the PRC.

(iv) Gains on early termination of a lease represented the net difference of RMB732,000 comprising a RMB3,147,000 decrease in right-of-use assets and a RMB3,879,000 decrease in lease liabilities, in addition to a RMB368,000 compensation from the lessor who breached the contract.

5. FINANCE COSTS

Continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expenses on bank and other borrowings	**7,325**	5,760
Interest expenses on lease liabilities	**251**	283
	7,576	6,043

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSALS

Continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Impairment losses, net of reversals, recognised on:		
– Trade receivables	**5,520**	998
– Other receivables	**2,963**	–
– Loan receivable	**421**	–
– Contract assets	**38**	–
	8,942	998

7. INCOME TAX EXPENSE

Continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC Enterprise Income Tax ("EIT")		
– Current year	**21,981**	16,057
– Deferred tax	**(2,151)**	(211)
Income tax expense	**19,830**	15,846

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.

According to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise.

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. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after charging:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Depreciation of property and equipment	**2,512**	2,612
Depreciation of assets classified as hold for distribution to owners	**54**	–
Amortisation of other intangible assets	**5**	5
Total depreciation and amortisation	**2,571**	2,617
Staff costs		
Salaries and allowances	**14,359**	12,229
Performance related bonuses *(Note)*	**2,463**	4,347
Retirement benefits contribution	**1,879**	1,221
Total staff costs	**18,701**	17,797
Auditor's remuneration	**1,380**	831
Cost of revenue recognised relating to short-term leases	**2,374**	6,217

Note: Performance related bonuses are determined 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 declared by the Company and other companies comprising the Group during 2019.

In August 2018, Beijing Ruicheng Advertising Co., Ltd.*（北京瑞誠廣告有限公司）(“**Beijing Ruicheng**”) declared and paid an interim dividend of RMB54,000,000 to its shareholders. The rate of dividend and the number of shares, ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of this report.

Subsequent to the end of the reporting period, no dividend in respect of the year ended 31 December 2019 has been proposed.

* English name is for identification purpose only.

10. EARNINGS PER SHARE

From continuing operations

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

Earnings figures are calculated as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year attributable owners of the Company	**36,282**	46,149
Less: Loss for the year from discontinued operations	**–**	474
Earnings for the purpose of basic earnings per share from continuing operations	**36,282**	46,623

Number of shares

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	**313,056**	294,194

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year attributable to owners of the Company	**36,282**	46,149

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss for the year from discontinued operations attributable to owners of the Company	**–**	(474)

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Basic loss per share for discontinued operations	**–**	–

The denominators used are the same as those detailed above for basic earnings per share.

No diluted earnings per share for the year ended 31 December 2019 was presented as there were no potential ordinary shares in issue (2018:nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investments in film and drama	**–**	6,050
Analysed for reporting purposes as:		
Current assets	**–**	–
Non-current assets	**–**	6,050
	–	6,050

The balance of RMB6,050,000 as at 31 December 2018 represented an investment in film (the "Investment A") with fair value of RMB1,050,000 and an investment in drama (the "Investment B") with fair value of RMB5,000,000, which entitled the Group to share certain percentage of income to be generated from the film and drama based on the proportion of investment amounts as specified in respective investment agreements. The Directors designated the investment as FVTPL.

On 28 December 2019, a supplemental agreement in respect of Investment A was signed which modified the investment into a 15% annual fixed return rate investment. An amount of RMB444,000 was settled in 2019 and the remained RMB921,000 will be repaid on or before 30 April 2020. In view that there is a significant modification of the contractual cash flows of the investment, the financial asset at FVTPL with fair value of RMB879,000 was derecognised and an other receivable is recognised accordingly. A gain of RMB264,000 is recognised from the derecognition. As set out in Note 13a, the carrying amount of the receivable from Investment A is RMB850,000, net of expected credit loss ("ECL") allowance RMB29,000, as at 31 December 2019.

In January 2019, the Group increased RMB15,000,000 investment in Investment B. In April 2019, a supplemental agreement in respect of Investment B was signed due to the postponement of the drama and compensation payment amounted to RMB2,800,000 was settled in December 2019. On 31 December 2019, a withdrawal agreement in respect of Investment B was signed since the drama was abandoned and the amount of investment of RMB20,000,000 would be repaid before 10 March 2020. In view that there is a significant modification of the contractual cash flows of the investment, the financial asset at FVTPL is derecognised and the fair value of RMB19,530,000 which is discounted by the unsecured borrowing rate of the counterparty, of 13% was transferred to other receivable accordingly. A gain of RMB2,330,000 is recognised from the derecognition. As set out in Note 13a, the carrying amount of the receivable from Investment B is RMB18,901,000, net of ECL allowance RMB629,000, as at 31 December 2019. The balance of RMB20,000,000 was settled in March 2020.

During the year ended 31 December 2019, the fair value gain with an amount of RMB2,594,000 relevant to Investment A and Investment B was recognised in profit or loss (2018:nil).

12. LOAN RECEIVABLE

On 31 October 2017, Beijing Ruicheng entered into a contract, pursuant to which Beijing Ruicheng invested RMB13,000,000 in an internet drama and was entitled to share certain percentage of income to be generated from the internet drama distribution based on the proportion of investment amount. The Directors designated the investment as FVTPL.

On 21 December 2018, a supplemental agreement was signed which entitled Beijing Ruicheng to a fixed rate of return of 18% for the period from 1 January 2019 to 31 December 2020. In view that there is significant modification of the contractual cash flows of the investment as of 21 December 2018, the financial asset at FVTPL with a carrying amount of RMB13,000,000 was derecognised and a loan receivable, was recognised accordingly. The loan receivable was subsequently measured at amortised cost because the Group's business model was to hold the financial asset in order to collect contractual cash flow, and the cash flow of the investment met the IFRS 9 criteria as solely payment of principal and interest on the principal amount outstanding. No gain or loss is recognised from the derecognition.

As at 31 December 2019, the carrying amount of loan receivable was RMB12,579,000, net of accumulated ECL impairment of RMB421,000.

13a. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables – contracts with customers *(Note i)*	**302,396**	149,640
Less: allowance for credit losses	**(7,703)**	(2,183)
	294,693	147,457
Prepayments to suppliers	**75,592**	53,182
Receivable from a supplier *(Note ii)*	**28,074**	–
Receivable from Investment A *(Note 11)*	**850**	–
Receivable from Investment B *(Note 11)*	**18,901**	–
Deductible value-added tax	**18,688**	–
Rental and other deposits	**5,382**	4,740
Deferred listing expenses	**–**	1,381
Others	**1,823**	2,156
	444,003	208,916
Less: long-term deposit	**(303)**	(401)
Analysed as: Current	**443,700**	208,515

Notes:

i The significant increase in trade receivables – contracts with customers results from a seasonal fluctuation in demand for the Group's advertising services of customers in different industries.

ii The amount represented prepayment of approximately RMB30,048,000 to a supplier for the Group's online advertising services, during the year ended 31 December 2019, the Group considered the supplier failed to deliver related services according to the contract. After negotiation with the supplier, on 21 December 2019, the Group and the supplier entered into a supplementary agreement with the supplier promised to repay whole amount of the prepayment to the Group subsequent to the end of the reporting period. Accordingly, the prepayment is derecognised and a receivable from a supplier is being recognised at the carrying amount of approximately RMB28,074,000, net of ECL impairment of RMB1,974,000.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB65,945,000.

The Group's trade receivables with certain customers are used to secure certain bank borrowings which is disclosed in Note 17.

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 losses presented based on the date of billing:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-30 days	**144,656**	66,308
31-90 days	**105,707**	74,918
91-180 days	**14,909**	4,839
181-360 days	**27,921**	–
Over 360 days	**1,500**	1,392
Total	**294,693**	147,457

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB94,656,000 (31 December 2018: RMB34,477,000), which are past due as at the reporting date. Out of the past due balances, RMB43,963,000 (2018: RMB12,182,000), has been past due 90 days or more and is not considered as in default because there is no significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances or charge any interest thereon.

13b. TRADE RECEIVABLES BACKED BY BILLS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Trade receivables backed by bills	**38,000**	–

On 15 May 2019, the Group received a one year bill receivable of RMB38,000,000 (the "Bill"). The Bill was classified as financial asset at FVTPL because the Bill is held within a business model whose objective is not to collect contractual cash flows but to sell. On 16 May 2019, the Group endorsed the Bill to a supplier to settle trade payables. As the endorsement was on a full recourse basis, the Group continues to recognise the full carrying amount of the Bill.

14. CONTRACT ASSETS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Contract assets	**6,498**	–

As at 1 January 2018, contract assets from contracts with customers amounted to RMB3,228,000.

The Group generally collects the service fees either at the inception of the service contract or by instalments over the service period. Upon entering into a service contract with customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to perform advertising service to customers. The service contract is an asset if the measure of remaining conditional rights to consideration exceeds the satisfied performance obligations. Contract asset is recognised over the period of the contract in which the service is performed representing the Group's rights to receive consideration for the service performed because the rights are conditioned on the Group's future performance of remaining advertising service. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. advertising services performed are verified by an independent third party with relevant qualifications and experience.

15. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**215,109**	75,383
Staff cost payables	**1,615**	2,671
Other tax payables	**17,479**	12,758
Transaction costs attributable to issue of new ordinary shares payables	**1,375**	856
Listing expenses payables	**4,247**	2,567
Others	**710**	8
	240,535	94,243

An aged analysis of the Group's trade payables, as at the end of each reporting period, based on the date of billing is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**170,569**	71,436
31–90 days	**41,876**	1,819
Over 90 days	**2,664**	2,128
	215,109	75,383

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

16. CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Contract liabilities	**2,392**	1,748

As at 1 January 2018, contract liabilities from contracts with customers amounted to RMB63,914,000.

Contract liabilities are recognised when the Company receives an amount from customers before services are provided, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The Company typically receives a deposit range from 20% to 50% of total consideration from certain customers when they enter into the contracts with the Company.

Revenue recognised during each reporting period included the whole amount of contract liabilities at the beginning of the respective reporting period. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior years.

17. BANK AND OTHER BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans		
– secured *(Note i)*	**18,000**	10,000
– unsecured *(Note ii)*	**78,891**	73,523
Other borrowing		
– unsecured *(Note iii)*	**1,458**	–
	98,349	83,523

The carrying amounts of the above borrowings are all repayable within one year.

Notes:

(i) The bank loans were secured by the Group's trade receivables with certain customers for both years. The secured bank loans bear a fixed interest rate of 7.395% per annum as at 31 December 2019 (31 December 2018:7.18%).

(ii) The bank loans were guaranteed by three third party guarantors, who charged an upfront guarantee fees at 2.5% of the corresponding loan principal amounts. The effective interest rates of these bank loans are fixed at 8.08% per annum as at 31 December 2019 (31 December 2018: range from 8.14% to 8.55%).

(iii) On 27 December 2019, Ruicheng (Hong Kong) Media Co., Ltd. borrowed a loan of HKD1,625,000 (equivalent to RMB1,458,000) from an independent third party and will mature on 27 June 2020. The effective interest rates is 12.32%.

18. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have had a negative impact on the operations of the Group since January 2020, as most of the Group's operations are located in China and the Group's major suppliers/customers are located in China. Certain customers had not yet been able to resume operations on site, resulting in delay in collectability of the Group's trade receivables. The Directors are still assessing the financial impact that the COVID-19 will have on the Group's consolidated financial statements as at the date that these financial statements are authorised for issue.

19. DISPOSAL OF A SUBSIDIARY

(a) Disposal of Qingdao Economic and Technological Development Zone Chaoqun Culture Co., Ltd.* (青島經濟技術開發區超群文化有限公司) ("Qingdao Chaoqun")

On 13 December 2018, Ruicheng Hexin (Beijing) Media Co., Ltd.* (瑞誠禾信(北京)傳媒有限責任公司) ("Ruicheng Hexin"), a company controlled by Ms. Wang Lei ("Ms. Wang"), and Beijing Ruicheng entered into an equity transfer agreement, pursuant to which, 100% of equity interest in Qingdao Chaoqun was transferred from Beijing Ruicheng to Ruicheng Hexin at a cash consideration of RMB1. Qingdao Chaoqun principally engages in operation of film and TV park and production of short videos in Qingdao which, in the opinion of the Directors, represents a separate line of businesses. The disposal of Qingdao Chaoqun is accounted as a deemed distribution to the owners of the Group and is presented as discontinued operations for the year ended 31 December 2018.

The difference of RMB37,002,000 between the net carrying amount of the relevant assets and liabilities of RMB36,942,000, goodwill of RMB60,000 and the cash consideration of RMB1 is charged to capital reserve.

Analysis of loss for the year from discontinued operations

The results of Qingdao Chaoqun during the year ended 31 December 2018, which have been included in the consolidated statements of profit or loss and other comprehensive income, are set out as follows:

	For the year ended 31 December 2018 *RMB'000* (Audited)
Revenue	6,045
Cost of revenue	(3,435)
Gross profit	2,610
Other income	2
Administrative expenses	(3,222)
Loss before tax	(610)
Income tax credit	136
Loss for the year from discontinued operations	(474)

	For the year ended 31 December 2018 *RMB'000* (Audited)
Loss for the year from Qingdao Chaoqun has been arrived at after charging:	
Depreciation of property and equipment	2,672
Staff costs	
Salaries and allowances	524
Retirement benefit contribution	49
Total staff costs	573
Net cash generated from (used in)	
Operating activities	(16,250)
Investing activities	(21)
Financing activities	14,826
Total cash flows	(1,445)

The Group's share of net assets of Qingdao Chaoqun at the date of disposal and the effect of disposal were as follows:

Consideration received:

	RMB'000 (Audited)
Deferred cash consideration	– *(Note)*

Note: The amount is RMB1. The deferred consideration was settled in cash by Ruicheng Hexin in December 2019.

Analysis of assets and liabilities over which control was lost:

	RMB'000 (Audited)
Property and equipment	38,150
Amount due from Beijing Ruicheng	5,000
Prepayment and other receivables	18,682
Bank balances and cash	70
Trade and other payables	(528)
Amounts due to related parties	
– Beijing Ruicheng	(11,800)
– Shanghai Kailun Advertising Co., Ltd.*(上海凱倫廣告有限公司)	(3,026)
Deferred tax liabilities	(4,606)
Bank borrowings	(5,000)
Net assets disposed of	36,942

Charged to capital reserve on disposal of a subsidiary

	RMB'000 (Audited)
Consideration receivable	–
Net assets disposal of	(36,942)
Goodwill	(60)
Charged to capital reserve	(37,002)

Net cash outflow arising on disposal:

	RMB'000 (Audited)
Cash consideration	–
Less: bank balances and cash disposed of	(70)
	(70)

(b) Disposal of Beijing Ruicheng Jiaye Public Relations Consulting Co., Ltd.* (北京瑞誠嘉業公關顧問有限公司) ("Beijing Ruicheng Jiaye")

On 26 November 2018, Ruicheng Hexin, a company controlled by Ms. Wang, and Beijing Ruicheng entered into an equity transfer agreement, pursuant to which, 100% equity interest in Beijing Ruicheng Jiaye was transferred from Beijing Ruicheng to Ruicheng Hexin at a cash consideration of RMB1.

The difference of RMB985,000 between the carrying amount of the relevant assets of RMB985,000 and the cash consideration of RMB1 is charged to capital reserve.

The Group's share of net assets of Beijing Ruicheng Jiaye at the date of disposal and the effect were as follows:

Consideration received:

	RMB'000 (Audited)
Deferred cash consideration *(Note)*	–

Note: The amount is RMB1. The deferred consideration was settled in cash by Ruicheng Hexin in December 2019.

Analysis of assets over which control was lost:

	RMB'000 (Audited)
Bank balances and cash	5
Amount due from a related party	
– Beijing Ruicheng	980
Net assets disposed of	985

Net cash outflow arising on disposal:

	RMB'000 (Audited)
Cash consideration	–
Less: bank balances and cash disposed of	(5)
	(5)

(c) Disposal of Wuxi Ruicheng Movie Media Co., Ltd.* (無錫瑞誠影視傳媒有限公司) ("Wuxi Ruicheng")

On 24 December 2018, Ruicheng Hexin, a company controlled by Ms. Wang, and Beijing Ruicheng entered into an equity transfer agreement, pursuant to which, 100% equity interest in Wuxi Ruicheng was transferred from Beijing Ruicheng to Ruicheng Hexin with nil consideration.

The carrying amount of the net liabilities disposed is credited to capital reserve.

Analysis of assets and liabilities over which control was lost:

	RMB'000 (Audited)
Other receivables	12
Amount due to a related party	
– Beijing Ruicheng	(24)
Net liabilities disposed of	(12)

* English names are for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

In 2019, under the influence of multiple factors, such as escalating trade dispute, market environment, operation condition of the enterprise and product cycle, advertisers' confidence in the market has declined after the soar in 2018. Meanwhile, the budget expenditure of advertisers has also become more cautious. The proportion of advertisers with increased budgets has recorded the lowest over the recent decade; flat budget has become the new norm (Source of data: CCTV Market Research CTR "Survey Report of 2019 China Advertisers' Marketing Trend"). During the year ended 31 December 2019 (the "**Reporting Period**"), facing the pressure of macro environment with slowing economic growth and downward trend on TV advertising market, our Group will focus on its existing advantages and core competitiveness, adhere to the promotion of diversified advertising services, vigorously develop online advertising business, leverage the matrix advantages of internet media and new media resources, strength the resource efficiency of high-quality traffic, and continuously improve the internet integrated service capacity through technologies of big data and precision placement, strengthened strategy formulation capability and data analysis capability, and strived to provide customers with personalised one-stop advertising solutions to further enhance our Group's competitiveness as a multi-channel advertising service provider.

Business review

TV advertising services

Riding on our strong customer base, we are able to establish a strong presence in the TV advertising media services industry through maintaining long-standing relationships with our major TV station suppliers which are first-tier provincial satellite TV stations such as leading provincial satellite TV stations in Hunan, Shanghai, Zhejiang and Jiangsu. These long-established relationships give us competitive edge in securing valuable TV advertising resources such as TV advertising time slots during prime time and the rights to implant soft-sell advertisements in variety shows or TV series with high viewership and demand in renowned TV stations. Furthermore, due to our long-standing relationships with these provincial satellite TV stations, we are able to consolidate TV advertising resources available and allow our customers access to a broad range of TV advertising resources from different TV stations. During the Reporting Period, our Group continuously improved its customer development and service capabilities in the TV advertising business while enhancing its competitiveness through the optimisation on the media resource portfolio and attracting advertising placements from brand customers through customised advertising strategies and scientific comprehensive services. During the Reporting Period, our Group provided TV advertising media services such as advertising placements of brands or products, implantation design of advertisements to customers, including a well-known domestic brand beverage seller and a large domestic telecommunications service provider, respectively, which gained recognition from various well-known customers.

In terms of content marketing business, our Group continued to actively improve its creative design and communication capability to complete content marketing planning as well as implantation of creative design and implement action plans for various customers, so as to enhance customers' brand value by content integration. During the Reporting Period, our Group successively provided services to major advertiser customers, including a leading home appliances manufacturer in the People's Republic of China (the "**PRC**" or "**China**") with its headquarter located in Qingdao and a leading kitchen appliances manufacturer with its headquarter located in Ningbo, involving project cooperation, namely the cooperation between a leading home appliances manufacturer in the PRC (headquartered in Qingdao) and Shenzhen Satellite TV on a knowledge speech program on celebrating new year's eve and a popular science knowledge conference, the cooperation between a leading kitchen appliances manufacturer advertiser with its headquarter located in Ningbo and a leading provincial satellite TV station in Hunan on a observational reality show of a group of celebrities running an inn, and the cooperation between a leading kitchen appliances manufacturer advertiser with its headquarter located in Ningbo and a provincial satellite TV station in Shanghai on a talent variety program, a comedy reality competition program and a large-scale home redevelopment program.

Online advertising services

Leveraging on the online advertising services, our Group has gradually established and will continue to expand its extensive supplier network and the operators of China's major online platforms to gain more popular online advertising sources. Our Group continued to improve the internet integrated service capacity and provide customers with one-stop online marketing solutions through technologies of big data and precision placement. During the Reporting Period, our Group successively provided services to customers, including several large online mobile games in China. During the cooperation period, each brand has a better conversion rate in the placement on online media, which secured the sustainability of advertising placements. Our Group has gained high recognition and praises from customers.

Outdoor advertising services

Our Group seized the business opportunity for the stable growth in the outdoor advertising media services market and continued to strengthen the market expansion in the field of advertising placements, such as buildings and subway TV. Levering on our experience in providing advertising services and our strong data analysis capabilities, we satisfy customers' needs by identifying relevant supplier with specific outdoor advertising resources, for example, the right to place advertisements on platforms such as buildings and subway in major cities in China. During the Reporting Period, our Group successively provided certain domestic large pharmaceutical company customers with advertising placements in buildings and subways in various regions of China.

Other advertising services

With the steadily foundation of the existing media services such as radio channels, our Group continued the expansion on the resources on new fields, including sources from certain well-known video websites and electronic business platforms to satisfy customers' needs. During the Reporting Period, our Group mainly provided advertising placements for a well-known domestic brand electrical appliance retailer.

Financial review

Revenue and profit and total comprehensive income attributable to the owners of our Company

For the year ended 31 December 2019, our Group recorded revenue of approximately RMB845.8 million, representing an increase of 8.0% from approximately RMB783.4 million for the year ended 31 December 2018.

Revenue details for the Reporting Period are as follows:

(I) For the year ended 31 December 2019, revenue from TV advertising services was approximately RMB309.1 million, representing a decrease of approximately 41.4% from approximately RMB527.0 million for the year ended 31 December 2018, which was primarily due to the reduction of advertising placements from a well-known domestic beverage seller customer in 2019.

(II) For the year ended 31 December 2019, revenue from online advertising services was approximately RMB433.6 million, representing an increase of approximately 121.4% from approximately RMB195.8 million for the year ended 31 December 2018. Leveraging the online advertising services, our Group has gradually established and will continue to expand its extensive supplier network to gain more popular online advertising sources from the operator of major online platforms in China. Our Group continued to improve the internet integrated service capacity and to provide customers with one-stop online marketing solutions through technologies of big data and precision placement. The revenue from online advertising business increased significantly as compared with the same period of last year.

(III) For the year ended 31 December 2019, revenue from outdoor advertising services was approximately RMB63.4 million, representing an increase of approximately 23.0% from approximately RMB51.6 million for the year ended 31 December 2018, which was primarily due to our Group seized the business opportunities from the stable growth in the outdoor advertising media services market, continued to strengthen the market expansion in the field of outdoor advertising investment, such as buildings and subway TV, and increased advertising placements from certain large pharmaceutical company customers.

(IV) For the year ended 31 December 2019, revenue from other advertising services was approximately RMB39.7 million, representing an increase of approximately 345.4% from approximately RMB8.9 million for the year ended 31 December 2018. With the steadily foundation of the existing other media services such as radio channels, our Group continued the expansion on the resources in new media field to satisfy customers' needs and increase the advertising placements from customers.

During the Reporting Period, the revenue of our Group increased as compared to last year. The overall decrease of services cost of the online advertising business during the Reporting Period also led to an increased gross profit margin as compared with the same period of last year. For the year ended 31 December 2019, the profit and total comprehensive income attributable to the owners of our Company was approximately RMB36.3 million, representing a decrease of approximately 21.4% from approximately RMB46.1 million last year, which was primarily due to the listing expenses of our Group in terms of service stage in the Reporting Period that increased significantly as compared with last year. Excluding the listing expenses, for the year ended 31 December 2019, the profit attributable to the owners of our Company was approximately RMB55.2 million (2018: approximately RMB50.3 million), representing a year-on-year increase of approximately 9.8%.

Other income, gains and loss

Our Group recorded a year-on-year increase of approximately 242.0% in other income, gains and loss from approximately RMB4.1 million for the year ended 31 December 2018 to approximately RMB14.1 million for the year ended 31 December 2019, which was primarily due to the increase in government grants received, and in accordance with the Ministry of Finance, State Taxation Administration and General Administration of Customs 2019 Announcement No.39, since 1 April 2019, the service industry has implemented the input tax of value-added-tax additional 10% deduction accounting into other income.

Selling and marketing expenses

Our Group's selling and marketing expenses recorded a relatively stable increase. Our Group recorded a year-on-year increase of approximately 1.5% in selling and marketing expenses from approximately RMB14.9 million for the year ended 31 December 2018 to approximately RMB15.1 million for the year ended 31 December 2019. Our Group's selling and marketing expenses accounted for approximately 1.8% of our Group's total revenue for the same period (2018: approximately 1.9%).

Administrative expenses

Our Group recorded a year-on-year increase of approximately 27.2% in administrative expenses from approximately RMB11.2 million for the year ended 31 December 2018 to approximately RMB14.2 million for the year ended 31 December 2019. Our Group's administrative expenses accounted for approximately 1.7% of our Group's total revenue for the same period (2018: approximately 1.4%).

Financing costs

For the year ended 31 December 2019, our Group recorded financing costs of approximately RMB7.6 million (2018: approximately RMB6.0 million), representing a year-on-year increase of approximately 25.4%, which was primarily due to the increase in the principal amount of bank loan in 2019.

Impairment losses under expected credit loss model, net of reversals

For the year ended 31 December 2019, our Group's impairment losses on receivables was approximately RMB8.9 million (2018: approximately RMB1.0 million), representing an increase of approximately RMB7.9 million as compared with last year. Our Group conducted evaluation and judgement on the recoverability of receivables, and conducted the evaluation through a third-party company, the impairment losses on receivables was primarily due to the significant increase in trade receivables at the end of period.

Income tax expense

For the year ended 31 December 2019, our Group's income tax expenses was approximately RMB19.8 million (2018: approximately RMB15.8 million), representing a year-on-year increase of approximately 25.1%, which was primarily due to the listing expenses not being deductible before income tax.

Profit for the year from continuing operations

Our Group's profit for the year from continuing operations decreased by approximately 22.1% from approximately RMB46.6 million for the year ended 31 December 2018 to approximately RMB36.3 million for the year ended 31 December 2019.

Save as the influences from aforesaid factors, the decrease can be attributable to the significant increase in listing expenses of our Group. Our Group's listing expenses was approximately RMB18.9 million for the year ended 31 December 2019 (2018: approximately RMB4.1 million), representing a year-on-year increase of approximately 356.6%.

Deferred tax assets

As at 31 December 2019, deferred tax assets was approximately RMB2.789 million (2018: approximately RMB0.638 million), representing an increase of approximately 337.1%. It was mainly due to the large increase in impairment losses under expected credit loss model.

Loan receivable

As at 31 December 2018, loan receivable of non-current assets was approximately RMB13 million, it was an internet drama investment with fixed income held by our Group with two years of income period (1 January 2019 to 31 December 2020). Since it has been held for one year, the loan receivable transferred to current assets in 2019. As at 31 December 2019, the carrying amount of loan receivable was approximately RMB12.579 million.

Trade receivables, prepayments and other receivables

Our Group's trade receivables, prepayments and other receivables was approximately RMB443.7 million as at 31 December 2019 (2018: approximately RMB208.5 million), representing an increase of approximately 112.8%, which was primarily due to the vigorous expansion of online advertising services in the fourth quarter of 2019.

Trade and other payables

As at 31 December 2019, trade and other payables was approximately RMB240.535 million (2018: approximately RMB94.243 million), representing an increase of approximately 155.2%. It was mainly due to the vigorously expansion on data business in the fourth quarter, increase of customer and placement amounts and increase in costs.

Tax payables

As at 31 December 2019, tax payables were approximately RMB20.12 million (2018: approximately RMB9.51 million), representing an increase of approximately 111.6% as compared with last year. It was mainly due to the vigorously expansion on businesses, increase of placement amounts and taxes generated will be payable in next year.

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

For the year ended 31 December 2019, our Group held two internet dramas or movies investments under execution, all completed shooting and broadcasting. Our Group did not involve in the production of such internet dramas and movies. Our Group solely acted as a pure investor in the internet dramas or movies projects without holding any equity interest in the relevant production companies. The revenue generated from these two respective investments is fixed income, and will continue to bring fixed return to the Group in 2020. As at 31 December 2019, the carrying amount of the above-mentioned two internet dramas or movies of the Group was recorded in loan receivable of RMB12,579,000 and trade receivables and other receivables of RMB850,000, respectively.

For the year ended 31 December 2019, save for the Reorganisation (as defined in the prospectus of our Company dated 31 October 2019 (the "**Prospectus**") and the aforementioned, there was no significant investments, material acquisitions and disposals of subsidiaries and associated companies recorded by our Group.

As at the date of this announcement, our Company has not entered into any agreements in relation to material investment or capital assets, and did not have any other plans in relation to material investment or capital assets. However, if any potential investment opportunity arises in the future, our Company will conduct a feasibility study and prepare an implementation plan to consider whether the said opportunity would benefit our Company and its shareholders (the "**Shareholders**") as a whole.

Liquidity and financial resources

Our Group's overall financial position is stable with sufficient liquidity. As at 31 December 2019, bank balances and cash was approximately RMB68.0 million (2018: approximately RMB36.7 million), representing an increase of approximately 85.1%, of which, approximately 95% was in RMB, the remaining 5% was in HKD and other currencies.

As at 31 December 2019, our Group's total assets was approximately RMB580.0 million, of which equity attributable to the owners of our Company was approximately RMB214.4 million, non-controlling equity was approximately RMB0.1 million.

Capital expenditure

For the year ended 31 December 2019, our Group did not have any other significant capital expenditure.

Contingent liabilities

For the year ended 31 December 2019, our Group did not have any other significant contingent liabilities.

Pledged assets

For the year ended 31 December 2019, our Group did not have any pledged assets.

Gearing ratio

Our Group's gearing ratio decreased from approximately 106.4% as at 31 December 2018 to approximately 47.8% as at 31 December 2019 was primarily due to the increase in the total amount of equity from the Global Offering. The gearing ratio is calculated by dividing the sum of total bank and other borrowings, amounts due to related parties and lease liabilities by total equity as at the end of the respective periods, and multiplied by 100%.

Foreign exchange risk

Our 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 our Group's operating business is very limited, therefore, our Group currently did not engage in or intend to manage hedging activities of foreign exchange rate risk. Our Group will continue to monitor foreign exchange activities to secure our 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, lease liabilities, and amounts due to a related party. 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

Since the beginning of 2020, the 2019 coronavirus (the "**COVID-19**") has spread in China and has affected the business and economic activities of our Group to a certain extent. As at the date of this announcement, it is not yet possible to conduct reliable estimation on the above-mentioned overall financial impact.

However, in a long run, it may have limited impact on enterprises and the China's economy; the long-term positive development outlook of China's economy remains unchanged. Our Group will closely monitor the development of the COVID-19 outbreak and evaluate its impact on the financial position and operations of our Group.

In 2020, our Group will focus on its existing advantages and core competitiveness and continue to enlarge the investment on internet to further stimulate the team's innovative vitality, strive to maintain a stable operation during the economic down cycle, and lay a foundation for the medium and long-term development of our Group.

Specifically, in terms of TV advertising and content marketing, we will continue to actively enhance creative production and communication capabilities, develop content marketing business so as to enhance customers' brand value by content integration. In terms of online advertising and online marketing, we will follow the trends of the entire new media environment, comply with the changes in customer's needs and continue to enlarge the investment on internet to leverage the matrix advantages of internet media and new media resources, strength the resource efficiency of high-quality traffic, further improve the online marketing business, continuously improve the internet integrated service capacity and provide one-stop online marketing solutions to more customers. In terms of outdoor advertising, we leverage on our Company's accumulated advantages and experience in TV advertising to continuously strengthen the market expansion in the field of outdoor subway TV advertising placement. Meanwhile, we will continue to explore and follow up on new technologies. By leveraging on new technologies, we will look for new media advertising methods and start new advertising business so as to expand new market, provider customers with new advertising value and seek new profit growth points.

Use of proceeds from the initial public offering

The shares of our Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the 12 November 2019 (the "**Listing Date**") and the net proceeds raised from this initial public offering after deducting professional fees, underwriting commissions and other related listing expenses amounted to approximately HK$78.8 million (the "**IPO Net Proceeds**").

As at 31 December 2019, our Group had utilised approximately HK$58.6 million, representing approximately 74.4% of the IPO Net Proceeds as follows:

Intended use of IPO Net Proceeds	**Approximate percentage of IPO Net Proceeds as stated in the Prospectus**	**Actual amount of IPO Net Proceeds** *(HK$ million)*	**Actual amount utilised up to 31 December 2019** *(HK$ million)*	**Unutilised amount of IPO Net Proceeds as of 31 December 2019** *(HK$ million)*
Enhancing our Group's market position in TV advertising through strengthening its financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources	47.7%	37.6	33.3	4.3
Further developing our Group's online advertising business	30.0%	23.6	16.7	6.9
Further developing our Group's outdoor advertising business	12.3%	9.7	8.6	1.1
Strengthening our Group's strategy formulation and data analytical capabilities and enhance its reputation in the market	10.0%	7.9	–	7.9
	100%	78.8	58.6	20.2

As disclosed in our Company' announcement dated 24 February 2020, the Board resolved to change the use of unutilised IPO Net Proceeds. The table below sets forth the revised proposed change of use of the unutilised IPO Net Proceeds:

Intended use of IPO Net Proceeds	Original approximate percentage of IPO Net Proceeds as stated in the Prospectus	Revised approximate percentage of IPO Net Proceeds	Unutilised amount of IPO Net Proceeds up to the date of this announcement *(HK$ million)*	Revised allocation of unutilised IPO Net Proceeds *(HK$ million)*
Enhancing the Group's market position in TV advertising through strengthening its financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources	47.7%	42.2%	4.3	–
Further developing the Group's online advertising business	30.0%	30.0%	6.9	6.9
Further developing the Group's outdoor advertising business	12.3%	12.3%	1.1	1.1
Strengthening the Group's strategy formulation and data analytical capabilities and enhance its reputation in the market	10.0%	10.0%	7.9	7.9
General working capital purpose	–	5.5%	–	4.3
	100.0%	100.0%	20.2	20.2

For details, please refer to the announcement of our Company dated 24 February 2020.

Except to the above, there was no change in the intended use of the IPO Net Proceeds as previously disclosed in the Prospectus. Our Company expects to utilise the IPO Net Proceeds within two years from the Listing Date.

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

Our Company's shares were listed on the Main Board of the Stock Exchange on the Listing Date. Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities from the Listing Date to 31 December 2019 (the "**Relevant Period**").

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have had a negative impact on the operations of our Group since January 2020, as most of our Group's operations are located in China and our Group's major suppliers/ customers are located in China. Certain customers had not yet been able to resume operations on site, resulting in delay in collectability of our Group's trade receivables. The Directors are still assessing the financial impact that the COVID-19 will have on our Group's consolidated financial statements as at the date that these financial statements are authorised for issue.

PUBLIC FLOAT

Based on the information that is publicly available to our Company and to the best knowledge of the Directors, our 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 period from the Listing Date to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN APPENDIX 14 TO THE LISTING RULES

Our Company is committed to maintaining a high standard of corporate governance practices. Our Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Relevant Period.

MODEL CODE FOR SECURITIES TARNSACTIONS BY DIRECTORS

Our 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 Relevant Period.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to (i) the recent epidemic of the COVID-19; (ii) the curbing and quarantine policies adopted and/or implemented by the Chinese government; and (iii) the delay in resumption of work of our Company and certain customers as a result of the aforementioned, Deloitte Touche Tohmatsu, the auditor of our Company, encountered significant practical difficulties in compiling its report. Accordingly, it was unable to complete the audit of our Group's annual results for the year ended 31 December 2019 by 31 March 2020 in accordance with the requirements of the Listing Rules.

The unaudited annual results contained herein have been reviewed by the Audit Committee of our Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

Following the completion of the auditing process, our Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by Deloitte Touche Tohmatsu, our Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting (the "**AGM**") will be held; and (iii) the period during which the register of members of our Company will be closed in order to ascertain the eligibility of the Shareholders to attend and vote at the AGM. In addition, our Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process. Our Company expects the auditing process will be completed not later than 30 April 2020.

The annual report of our Company for the year ended 31 December 2019 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
Li Na
Chairlady and Executive Director

Beijing, the PRC, 30 March 2020

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