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 2020

The board (the "**Board**") of directors (the "**Directors**") of Ruicheng (China) Media Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
Revenue	*3*	**217,395**	375,815
Cost of revenue		**(192,889)**	(336,465)
Gross profit		**24,506**	39,350
Other income, gains and loss		**6,984**	4,989
Selling and marketing expenses		**(5,601)**	(7,451)
Administrative expenses		**(8,783)**	(13,089)
Finance costs	*4*	**(3,801)**	(3,976)
Impairment losses under expected credit loss model, net of reversals		**(4,964)**	(5,914)
Profit before tax		**8,341**	13,909
Income tax credit/(expenses)	*5*	**212**	(687)
Profit and total comprehensive income for the period	*6*	**8,553**	13,222
Profit and total comprehensive income attributable to owners of the Company		**8,809**	13,100
(Loss)/profit and total comprehensive income attributable to non-controlling interests		**(256)**	122
		8,553	13,222
EARNINGS PER SHARE			
– Basic and diluted (RMB)	*7*	**0.02**	0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**As at 30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Non-current assets			
Property and equipment		**2,374**	5,234
Other intangible assets		**35**	38
Deferred tax assets		**4,062**	2,789
Long-term deposit	*9a*	**151**	303
		6,622	8,364
Current assets			
Trade receivables, prepayments and other receivables	*9a*	**312,340**	443,700
Trade receivables backed by bills	*9b*	**–**	38,000
Amounts due from related parties		**2,850**	2,819
Contract assets	*10*	**61,663**	6,498
Loan receivable		**12,526**	12,579
Bank balances and cash		**70,365**	68,034
		459,744	571,630
Total assets		**466,366**	579,994

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital and reserves			
Share capital/paid-in capital	*13*	**3,578**	3,578
Reserves		**219,586**	210,777
Equity attributable to owners of the Company		**223,164**	214,355
Non-controlling interests		**(114)**	142
Total equity		**223,050**	214,497
Non-current liabilities			
Lease liabilities		**633**	2,464
Deferred tax liabilities		**33**	–
		666	2,464
Current liabilities			
Trade and other payables	*11*	**94,232**	240,535
Tax payables		**14,834**	20,120
Contract liabilities		**796**	2,392
Bank and other borrowings	*12*	**131,924**	98,349
Lease liabilities		**864**	1,637
		242,650	363,033
Total liabilities		**243,316**	365,497
Total equity and liabilities		**466,366**	579,994

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, GROUP REORGANISATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

1.1 General information

Ruicheng (China) Media Group Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability under Companies Law of the Cayman Islands, on 15 January 2019 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 November 2019. The address of the Company's registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is Room 201, 2/F, Building C1, Phase II, Dongyi International Media Industrial Park, No. 8 Gaojing Culture Park Road, Chaoyang District, Beijing, the People's Republic of China (the "PRC" or "China"). The Company is an investment holding company and its subsidiaries are principally engaged in the provision of advertising services in the PRC.

The condensed consolidated financial statements 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".

These condensed consolidated interim financial statements are unaudited.

1.2 Group reorganisation, basis of preparation and presentation of condensed consolidated financial statements

In preparation for the proposed listing of the Company's shares on the Main Board of the Stock Exchange, the entities comprising the Group underwent a group reorganisation (the "Reorganisation") as described below. Ms. Wang Lei ("Ms. Wang") has historically been controlling the entities now comprising the Group (the "Controlling Shareholder"). Prior to the Reorganisation, Ms. Wang owned approximately 55% equity interest in Beijing Ruicheng Advertising Co., Ltd.* (北京瑞誠廣告有限公司) ("Beijing Ruicheng").

Upon completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group by interspersing the Company, Ruicheng Media Co., Ltd, Ruicheng (Hong Kong) Media Co., Limited ("Ruicheng HK") and Qingdao Ruicheng Jiaye Advertising Co., Ltd* (青島瑞誠嘉業廣告有限公司) between the Controlling Shareholder and Beijing Ruicheng. The Group comprising of the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the condensed consolidated financial statements has been prepared as if the Company had always been the holding company of the Group.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (the "IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the following new and amendments to International Financial Reporting Standards (the "IFRSs") issued by the IASB for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

3. REVENUE AND SEGMENT INFORMATION

i. Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Television ("TV") advertising services		
– Hard-sell TV advertising services *(Note)*	**77,066**	103,099
– Advertising solution packages involving soft-sell TV advertising services *(Note)*	**54,269**	30,865
	131,335	133,964
Online advertising services	**20,186**	198,339
Outdoor advertising services	**40,950**	41,046
Other advertising services	**24,924**	2,466
	217,395	375,815

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 categories of products or services being advertised

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Household furnishing & electronics	**68,383**	29,107
Food and beverages	**69,763**	69,812
Telecommunications	**19,593**	19,601
Internet and mobile games	**1,887**	139,458
Pharmaceuticals	**54,510**	27,908
Automobile	**–**	3,987
Others	**3,259**	85,942
	217,395	375,815

Timing of revenue recognition

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Over time	**217,395**	375,815

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. As at 30 June 2020, the CODM assesses the operating performance and allocates resources of the Group as a whole, as all of the Group's activities are considered to be primarily the provision of advertising services. Accordingly, the CODM considers there is only one operating segment under the requirements of IFRS 8 Operating Segments. In this regard, no segment information is presented.

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

4. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	**3,707**	3,849
Interest expenses on lease liabilities	**94**	127
	3,801	3,976

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current period	**1,028**	5,968
– Deferred tax	**(1,240)**	(5,281)
Income tax (credit)/expense	**(212)**	687

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

The applicable tax rate of Xizang Wanmei Advertising Co., Ltd.* (西藏萬美廣告有限公司) ("Xizang Wanmei"), a wholly owned subsidiary of the Group, is 15% according to Circular Zang Zheng Fa [2018] No. 25 (the "Circular"). According to the Circular, enterprises located in Tibet and engaged in specific encouraged industries are qualified for applying a preferential tax rate of 15% for the periods from 2018 to 2020. As such, the EIT rate for Xizang Wanmei is 15% for both periods.

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.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	**1,233**	1,023
Depreciation of asset classified as hold for distribution to owners	**–**	54
Amortisation of other intangible assets	**3**	3
Total depreciation and amortisation	**1,236**	1,080
Staff costs		
Salaries and allowances	**6,736**	7,350
Performance related bonuses *(Note)*	**1,529**	1,215
Retirement benefits contribution	**159**	920
Total staff costs	**8,424**	9,485
Auditor's remuneration	**–**	–
Cost of revenue recognised relating to short-term leases	**722**	451

Note: The performance related bonus is determined based on the performance of the Group, the performance of the relevant individuals in the Group and comparable market data.

7. 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 data:

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**8,809**	13,100

Number of shares

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	**400,000**	298,704

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

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 2020 and 2019.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

9a. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables – contracts with customers *(Note i)*	**173,578**	302,396
Less: allowance for credit losses	**(12,974)**	(7,703)
	160,604	294,693
Prepayments to suppliers	**136,298**	75,592
Receivable from a supplier *(Note ii)*	**–**	28,074
Receivable from Investment A	**726**	850
Receivable from Investment B *(Note iii)*	**–**	18,901
Deductible value-added tax	**4,719**	18,688
Rental and other deposits	**3,663**	5,382
Others	**6,481**	1,823
	312,491	444,003
Less: long-term deposit	**(151)**	(303)
Analysed as: Current	**312,340**	443,700

Notes:

i. The significant decrease 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 after 31 December 2019. Accordingly, on 31 December 2019, 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 30 June 2020, the Group has fully recovered the amount.

iii. The receivables from the investment in the drama ("Investment B") were settled in March 2020.

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 aging analysis of trade receivables net of credit loss provisions based on the invoice date:

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**28,289**	144,656
31 to 90 days	**24,612**	105,707
91 to 180 days	**37,712**	14,909
181 to 360 days	**56,887**	27,921
Over 360 days	**13,104**	1,500
Total	**160,604**	294,693

9b. TRADE RECEIVABLES BACKED BY BILLS

	As at	
	30 June 2020	31 December 2019
	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. The Bill has matured in May 2020. The Group has settled such trade payable with the relevant supplier.

10. CONTRACT ASSETS

	As at	
	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Contract assets	**61,663**	6,498

The Group generally collects service fees at the beginning of the service contract or in installments during the service period. After entering into service contracts with customers, the Group obtains the right to receive consideration from the customers and assumes the performance responsibility for the performance of advertising services to the customers. If the measurement of the remaining conditional consideration rights exceeds the fulfilled performance obligations, the service contract is a property. Contract assets are recognized during the contract period for the performance of the service, representing the Group's right to receive consideration for the performance of the service, as the relevant rights will not be implemented until the Group performs the remaining advertising services in the future. When the rights become unconditional (that is, after an independent third party with relevant qualifications and experience verifies the performed advertising services), the contract assets are transferred to trade receivables.

11. TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**86,034**	215,109
Staff cost payables	**1,822**	1,615
Other tax payables	**1,765**	17,479
Transaction costs attributable to issue of new ordinary shares payables	**78**	1,375
Listing expenses payables	**1,447**	4,247
Others	**3,086**	710
	94,232	240,535

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	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-30 days	**33,234**	170,569
31-90 days	**18,129**	41,876
Over 90 days	**34,671**	2,664
Total	**86,034**	215,109

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

12. BANK AND OTHER BORROWINGS

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans		
– secured *(Note i)*	**18,000**	18,000
– unsecured *(Note ii)*	**78,804**	78,891
Other borrowings		
– unsecured *(Note iii & iv)*	**35,120**	1,458
	131,924	98,349

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 30 June 2020 and 31 December 2019. The secured bank loans bear a fixed interest rate of 7.395% per annum as at 30 June 2020 (31 December 2019: 7.395%).

(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 ranged from 7.70% to 8.80% per annum as at 30 June 2020 (31 December 2019: fixed at 8.08% per annum).

(iii) On 20 June 2020, Ruicheng HK borrowed a loan of HKD38,480,000 (equivalent to RMB35,119,928) from an independent third party. It was repaid in full on 2 July 2020, with the effective interest rate being 12%.

(iv) On 27 December 2019, Ruicheng HK borrowed a loan of HKD1,625,000 (equivalent to RMB1,458,000) from an independent third party, such loan matured on 27 June 2020 and was repaid in full on 16 March 2020. The effective interest rate is 12.32%.

13. SHARE CAPITAL/PAID-IN CAPITAL

	As at	
	30 June	31 December
	2020	2019
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Shares		
Statutory:		
2,000,000,000 shares (31 December 2019: 2,000,000,000 shares) ordinary shares of HK$0.01 each	**20,000**	20,000

	As at	
	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
400,000,000 shares (31 December 2019: 400,000,000 shares) ordinary shares of HK$0.01 each	**3,578**	3,578

14. EVENTS AFTER THE REPORTING PERIOD

On 11 August 2020, the head office and principal place of business of the Company in the PRC was changed to Room 201, 2/F, Building C1, Phase II, Dongyi International Media Industrial Park, No. 8 Gaojing Culture Park Road, Chaoyang District, Beijing, the PRC.

Save as disclosed above, the Directors confirmed that subsequent to 30 June 2020 and up to the date of this announcement, there have not been any major events affecting the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview and Business Review

(I) Market overview

In the first half of 2020, the worldwide outbreak of COVID-19 pandemic made a severe impact on China's macro economy and micro market players. According to National Bureau of Statistics data, the Gross Domestic Product (GDP) of China recorded a year-on-year decrease of 1.6% during the first half of 2020, including a first quarter decrease of 6.8% as compared with the corresponding period in 2019. The advertising market in China was also severely impacted. According to data published by Nielsen, in the first half of 2020, the expenses on multi-channel advertising cases fell by 25.5% compared with the same period of 2019. The industry's overall advertising volume also experienced an unexpected drop. The industry was under pressure and the business environment was extremely challenging.

The Group's quick response to the COVID-19 pandemic's impact was based on seeking stability before development, focusing on existing advantages and core competitiveness, providing customers with high-quality tailored creative solutions and communications services, and continuing to take a diversified approach to promotional advertising services.

However, the global and the PRC's outbreak of COVID-19 pandemic resulted in some customers reducing advertising expenses in the first half of 2020. In particular, (i) some customers of the Group's online advertising services have suspended the advertising placements of mobile games due to the severe disturbance in the development progress of related games caused by the outbreak and escalation of COVID-19 pandemic; and (ii) the Group has postponed cooperation with certain customers of the Group's online advertising services as those customers requested for longer credit period, which will extend the time difference between the payment to suppliers and payment received by the Group, and affect the Group's operating cash flow.

The aforementioned factors resulted in a significant decrease in the Group's revenue during the six months ended 30 June 2020 (the "**period under review**") as compared with the same period last year.

(II) Business review

TV advertising services

The Group provides professional customised TV advertising solutions, and has established long-term business relationships with major media suppliers, most of which are first-tier provincial satellite television stations in China. Such relationships give us a competitive edge in providing customers with a wealth of cost-effective communication resources, delivering high-quality advertising displays within their budgets, and maximising the effectiveness of advertising. During the period under review, while facing an especially challenging COVID-19 pandemic-impacted market, we integrated our advantages and strategically upgraded our TV advertising business into a more comprehensive and in-depth communications services. Its success in providing more accurate and effective personalised advertising solutions during the process of realisation has been acknowledged by such renowned customers such as DouBenDou, FOTILE, Gujing Distillery, Haier Casarte, the 'red can' version of Wanglaoji, Micoe and China Mobile. During the period under review, the revenue from TV advertising services amounted to approximately RMB131.3 million.

Online advertising services

The Group has continued to establish and develop an online advertising services business network. By leveraging the advantages of its existing vast supplier network via big data and precise delivery technologies, the Group consistently provides customers with effective high-quality online advertising resources and one-stop online marketing solutions. During the period under review, despite the factors mentioned above in the paragraphs of market overview, we successively completed online media advertising placements for FOTILE, GoalBlue, Friso, CPT, Shiyu Pharmaceutical and Zhengyou Shouyou* (爭遊手游), the revenue from online advertising services amounted to approximately RMB20.2 million.

Outdoor advertising services

The Group continued its market expansion in the field of advertising placements, such as buildings and subway television. The Group's high-quality outdoor advertising resources and good suppliers' relationships ensure that customers' outdoor advertising placements needs are consistently fulfilled. During the period under review, we successively completed outdoor advertising placements services for Shiyu Pharmaceutical, Hitachi Central Air-conditioning and Zixin Pharmaceutical, with revenue from outdoor advertising services amounted to approximately RMB41.0 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to develop and utilize resources in new areas such as radio advertising to meet customers' diversified advertising needs. During the period under review, the Group successively served Shiyu Pharmaceutical, Haier Electric and Gao Miao Pharmaceutical, with revenue from other advertising services amounted to approximately RMB24.9 million.

Financial review

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

For the period under review, the Group recorded revenue of approximately RMB217.4 million, representing a decrease of approximately 42.2% as compared to approximately RMB375.8 million for the corresponding period last year.

Revenue details for the period under review:

(I) During the period under review, revenue from TV advertising services was approximately RMB131.3 million, representing a decrease of approximately 2.0% from approximately RMB134.0 million for the corresponding period last year. The floating amount of the business income was not large, representing a basically stable income.

(II) During the period under review, revenue from online advertising services was approximately RMB20.2 million, representing a decrease of approximately 89.8% from approximately RMB198.3 million for the corresponding period last year, which was mainly attributable to:

1. The outbreak and escalation of the pandemic has severely hindered the game development progress of some customers of the Group, leading to the suspension of advertising for mobile games. During the pandemic, the implementation of various prevention and control policies had a greater impact on the working environment as personnel changes and adjustments, work rhythms were disrupted as well as communication and promotion of various businesses were adversely affected. The development work of mobile games was in a "suspended" status. At the same time, channel costs remained high, competition in the capital layout of large companies in the game industry, macro-economic influences and other factors had made it more difficult for companies to raise funds, and they have become more cautious in their marketing strategies. The budget for effect advertising was greatly reduced, and placement of advertisements has basically stopped; and

2. Customers' demand for a longer credit period has caused delays in customer cooperation, which together with the quarantine measures as a result of the epidemic, have affected new business development with customers of the Group's online advertising business. During the epidemic, several customers of the Group's online advertising business demanded a longer credit period, which will affect the Group's operating cash. The Group has delayed cooperation with certain customers of its online advertising services, resulting in a decline in the overall cooperation business volume in the first half of 2020. On the other hand, due to the impact of the epidemic, the overall advertising market dropped sharply in the first half of the year, which brought great difficulties to the Company's new business development and acquisition.

With the epidemic drawing to an end and the resumption of work and production, various tasks have gradually returned to the right track. The Group is actively engaged in various communications and business promotion with customers, and is also increasing its efforts to actively develop new customers for the online advertising business. It is expected that the online advertising business will recover and improve in the second half of the year.

(III) Revenue from outdoor advertising services was approximately RMB41.0 million during the period under review as compared with approximately RMB41.0 million for the corresponding period last year. The floating amount of the business income was not large, representing a basically stable income.

(IV) Revenue from other advertising services was approximately RMB24.9 million during the period under review, representing an increase of approximately 910.7% from approximately RMB2.5 million for the corresponding period last year, which was mainly attributable to the provision of production planning services to a pharmaceutical company and a home appliance customer by the Group.

During the period under review, profit and total comprehensive income attributable to the owners of the Company was approximately RMB8.8 million, while profit and total comprehensive income attributable to the owners of the Company for the corresponding period last year amounted to approximately RMB13.1 million.

Gross profit and gross profit margin

During the period under review, the Group recorded gross profit and gross profit margin of approximately RMB24.5 million and 11.3%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB39.4 million and 10.5%, respectively. The increase in the Group's gross profit and gross profit margin was mainly due to the increased revenue attributable to the Group's production planning services during the period under review. Such services generally have lower costs, which led to the revenue attributable to such services outpacing the corresponding costs and hence a higher profit margin.

Other income, gains and loss

During the period under review, other income, gains and loss of the Group amounted to approximately RMB7.0 million, representing an increase of approximately 40.0% from approximately RMB5.0 million for the corresponding period last year, as since 1 April 2019, the service industry has implemented the input tax of value-added-tax additional 10% deduction accounting into other income. During the period under review, other income, gains and loss were mainly attributable to subsidies received from the local government of approximately RMB5.0 million and additional deductions of input tax for value-added tax of approximately RMB1.1 million. Other income, gains and loss for the same period last year were mainly attributable to the subsidy received from the local government of approximately RMB2.9 million and the additional deduction of input tax for value-added tax of approximately RMB1.1 million. There were no specific conditions attached to the subsidy received from the local government, and the amount was recognized in profit or loss when the subsidy was received.

Selling and marketing expenses

During the period under review, selling and marketing expenses of the Group amounted to approximately RMB5.6 million, representing a decrease of approximately 24.8% from approximately RMB7.5 million for the corresponding period last year. The Group's selling and marketing expenses accounted for approximately 2.6% of the Group's total revenue for the same period (six months ended 30 June 2019: approximately 2.0%). The main reason for the decrease in selling and marketing expenses of the Group was due to the Group's business operations being affected by the outbreak and escalation of COVID-19 pandemic, leading to the reduction of number of full-time salespersons, and the reduction of social security insurance required to be paid by the Group during the epidemic.

Administrative expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB8.8 million, representing a decrease of approximately 32.9% from approximately RMB13.1 million for the corresponding period last year. During the period under review, the Group's administrative expenses accounted for approximately 4.0% of the Group's total revenue for the same period (six months ended 30 June 2019: approximately 3.5%). The main reason for the decrease in administrative expenses of the Group was the recognition of pre-IPO expenses in the same period last year.

Finance costs

During the period under review, finance costs of the Group amounted to approximately RMB3.8 million (six months ended 30 June 2019: approximately RMB4.0 million), representing a year-on-year decrease of approximately 4.4%, which was mainly due to the reduction of bank loan interest rates in 2020.

Impairment losses under expected credit loss model, net of reversals

During the period under review, the Group's impairment losses on receivables was approximately RMB5.0 million (six months ended 30 June 2019: approximately RMB5.9 million), representing a year-on-year decrease of approximately RMB0.9 million. The decrease in impairment losses of receivables was mainly due to the decrease of trade receivables during the period under review. Impairment losses of receivables was mainly due to the decrease in turnover rate of trade receivables which was due to the COVID-19 pandemic. The Group took action and sent demand notices to the relevant customers.

Income tax credit/expense

During the period under review, income tax credit of the Group amounted to approximately RMB0.2 million (six months ended 30 June 2019: income tax expenses of approximately RMB0.7 million), representing a year-on-year decrease of approximately 130.8%, which was mainly due to the decrease in taxable income.

Profit for the period

The Group's profit for the period under review amounted to approximately RMB8.6 million (six months ended 30 June 2019: approximately RMB13.2 million), representing a decrease of approximately 35.3%. Save for the influences from the aforesaid factors, it can be attributed to the significant decline in the Group's revenue.

Deferred tax assets

As at 30 June 2020, deferred tax assets amounted to approximately RMB4.1 million (31 December 2019: approximately RMB2.8 million), representing an increase of approximately 45.6%. It was mainly due to the large increase in impairment losses under the expected credit loss model.

Loan receivable

As at 31 December 2018, loan receivable of non-current assets was approximately RMB13 million, which was an internet drama investment with fixed income held by the Group with two years of income period (from 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 RMB12.6 million. As at 30 June 2020, the carrying amount of loan receivable was approximately RMB12.5 million.

Trade receivables, prepayments and other receivables

As at 30 June 2020, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB312.3 million (31 December 2019: approximately RMB443.7 million), representing a decrease of approximately 29.6% as compared with trade receivables, prepayments and other receivables as at 31 December 2019.

As at 30 June 2020, the Group's trade receivables amounted to approximately RMB173.6 million, representing a decline of approximately 42.6% compared to the trade receivables as at 31 December 2019. The decline in trade receivables was mainly to the Group's revenue being affected by (i) seasonal fluctuations in customer demand for the Group's advertising services; (ii) the severe disturbance of the game development progress of some customers of the Group and suspension of the advertising of mobile games caused by the outbreak and escalation of COVID-19 pandemic; and (iii) the Group's postponed cooperation with certain customers of the Group's digital advertising services due to factors such as the need for longer credit periods for the customers which would affect the Group's operating cash flow.

On 31 December 2019, one receivable from supplier and one receivable from Investment B amounted to approximately RMB28.1 million and RMB18.9 million, respectively. During the period under review, the Group has fully recovered these receivables.

Contract assets

As at 30 June 2020, the Group's contract assets were approximately RMB61.7 million (31 December 2019: approximately RMB6.5 million), representing a year-on-year increase of approximately 849.0%. It was mainly due to the outbreak and escalation of COVID-19 pandemic that caused delays in independent third-party vendors with relevant qualifications and experience to verify the performance of the Group's advertising services.

Trade and other payables

As at 30 June 2020, trade and other payables of the Group amounted to approximately RMB94.2 million (31 December 2019: approximately RMB240.5 million), representing a year-on-year decrease of approximately 60.8% as compared with the trade and other payables as at 31 December 2019.

Trade payables represent the amount payable by the Group to suppliers for the purchase of advertising resources. Payments are generally made in accordance with the terms specified in the contract with the supplier. In the case of online advertising services, the Group is generally required to pay within 2 to 60 days of calculating the actual number of exposures or hits per month. During the period under review, revenue from online advertising services was severely affected, with related major costs and trade payables reduced accordingly.

Tax payables

As at 30 June 2020, tax payables amounted to approximately RMB14.8 million (31 December 2019: approximately RMB20.1 million), representing a decrease of approximately 26.3% as compared with the tax payables as at 31 December 2019. It was mainly due to the decrease in the business volume of the Group.

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

During the period under review, there was no significant investments, material acquisitions and disposals of subsidiaries or associated companies recorded by the Group.

Liquidity and financial resources

The Group's overall financial position is stable with sufficient liquidity. As at 30 June 2020, bank balances and cash was approximately RMB70.4 million (31 December 2019: approximately RMB68.0 million), of which, approximately 49.9% was in RMB, the remaining approximately 50.1% was in HKD and other currencies.

The total bank balances and cash are denominated in the following currencies:

	As at 30 June 2020		As at 31 December 2019	
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
RMB	35,113	49.9	64,657	95.0
HK$	35,220	50.1	3,368	5.0
US$	32	0.0	9	0.0
	70,365	100.0	68,034	100.0

Pledged assets

During the period under review, the Group did not have any pledged assets.

Capital expenditures

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

Contingent liabilities

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

Gearing ratio

The Group's gearing ratio increased from approximately 47.8% as at 31 December 2019 to approximately 59.8% as at 30 June 2020, which was primarily due to borrowing a loan for daily operation purposes from an independent third party during the period under review. The gearing ratio is calculated by dividing the sum of total bank and other borrowings and lease liabilities by total equity as at the end of the respective periods, and multiplied by 100%.

Use of proceeds from the initial public offering

The Company's shares were listed on the Main Board of the Stock Exchange on 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**").

On 24 February 2020, the Board resolved to change the use of the unutilized IPO Net Proceeds. Please refer to the Company's announcement dated 24 February 2020 for details.

As at 30 June 2020, the utilization of IPO Net Proceeds is detailed as follows:

	Revised approximate percentage of IPO Net Proceeds (%)	**Revised net amount of IPO Net Proceeds** *(HK$ million)*	**Utilized amount of IPO Net Proceeds as at 30 June 2020** *(HK$ million)*	**Unutilized amount of IPO Net Proceeds as at 30 June 2020** *(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	42.2%	33.3	33.3	–
Further developing the Group's online advertising business	30.0%	23.6	17.8	5.8
Further developing the Group's outdoor advertising business	12.3%	9.7	8.6	1.1
Strengthening the Group's strategy formulation and data analytical capabilities and enhance its reputation in the market	10.0%	7.9	2.3	5.6
General working capital purpose	5.5%	4.3	3.3	1.0
Total	100%	78.8	65.3	13.5

As at 30 June 2020, the unutilized IPO Net Proceeds of the Company were approximately HK$13.5 million (equivalent to approximately RMB12.1 million). The Company intended to use the unutilized IPO Net Proceeds in accordance with the method described in the Prospectus and the proportion set out in the Company's announcement dated 24 February 2020. Save as disclosed in the Company's announcement dated 24 February 2020, there is no change in the expected utilization of IPO Net Proceed previously disclosed in the Prospectus. The Company expects to fully utilize the IPO Net Proceeds within 2 years from the Listing Date.

Foreign exchange risk

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

Interest rate risk

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

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

EMPLOYEE AND EMOLUMENT POLICIES

To attract and retain employees of the Group, the Group provides competitive remuneration packages to its executive Directors and senior management. These comprise salaries and allowance, performance related bonuses, retirement benefits contributions and long-term incentive plan which includes Share Option Scheme. The remuneration package of executives Directors and senior management is 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. The performance related bonuses are calculated based on our employees' respective position, duration of services and performance of our employees. In order to attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

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

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

(i) Directors' fees, which are usually paid annually; and

(ii) Share options which are rewarded subject to the discretion of the Board.

As at 30 June 2020, the Group employed a total of 62 full-time employees (30 June 2019: 80). Compared with the total number of employees as at 30 June 2019, the number of employees decreased by 18. COVID-19 pandemic has caused certain impact on the Group's business operations. In order to ensure its profits, the Group adjusted its employee structure. Further, certain employees did not return to Beijing as a result of COVID-19 pandemic and have disengaged with the Group, and the Group has not filled the corresponding vacancies in the short run.

For the period under review, the relevant staff costs amounted to approximately RMB8.4 million (six months ended 30 June 2019: approximately RMB9.5 million), representing a decrease of approximately 11.2% as compared to the same period last year. In addition to the aforementioned factors, the PRC has reduced the social insurance payable during COVID-19 pandemic, which has led to the reduction of staff costs.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 11 August 2020, the head office and principal place of business of the Company in the PRC was changed to Room 201, 2/F, Building C1, Phase II, Dongyi International Media Industrial Park, No. 8 Gaojing Culture Park Road, Chaoyang District, Beijing, the PRC.

Save as disclosed above, the Directors confirmed that subsequent to 30 June 2020 and up to the date of this announcement, there have not been any major events affecting the Group.

INDUSTRY AND GROUP OUTLOOK

Since the beginning of 2020, the COVID-19 pandemic has spread in China and has affected the business and economic activities of the Group to a certain extent. However, in a long run, it may have limited impact on enterprises and the economy in China; the long-term positive development outlook of China's economy remains unchanged.

In the second half of 2020, the 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 the 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 the 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 using 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

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

The Company is committed to maintaining a high standard of corporate governance practices. The Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TARNSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

REVIEW OF UNAUDITED INTERIM RESULTS

The Company has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The primary duties of the Audit Committee are, among other things, to review the Company's interim and annual reports and accounts and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing internal control procedures of the Group. The Audit Committee comprises of three independent nonexecutive Directors, namely Mr. Li Xue (Chairman), Mr. Zhao Gang and Mr. How Sze Ming. The Audit Committee has reviewed the Interim Results.

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 2020 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Beijing, the PRC, 28 August 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.

* *For identification purpose only.*