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 2021

The board (the "**Board**") of directors (the "**Directors**") of Ruicheng (China) Media Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

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

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**245,241**	217,395
Cost of revenue		**(218,150)**	(192,889)
Gross profit		**27,091**	24,506
Other income, gains and loss	*4*	**2,230**	6,984
Selling and marketing expenses		**(3,359)**	(5,601)
Administrative expenses		**(4,542)**	(8,783)
Finance costs	*5*	**(4,028)**	(3,801)
Impairment losses of financial assets		**(7,641)**	(4,964)
Profit before tax		**9,751**	8,341
Income tax (expenses) credit	*6*	**(4,087)**	212
Profit and total comprehensive income for the period	*7*	**5,664**	8,553
Profit/(loss) and total comprehensive income (expenses) attributable to:			
– Owner of the Company		**5,699**	8,809
– Non-controlling interests		**(35)**	(256)
		5,664	8,553
EARNINGS PER SHARE			
– Basic and diluted (RMB)	*8*	**0.01**	0.02

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at	
		30 June	31 December
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property and equipment		**460**	1,814
Other intangible assets		**30**	33
Deferred tax assets		**8,124**	6,291
Long-term deposit	*10*	**152**	152
		8,766	8,290
Current assets			
Drama series production in progress		**7,100**	7,100
Trade receivables, prepayments and other receivables	*10*	**413,424**	343,142
Amounts due from related parties		**811**	300
Contract assets	*11*	**11,740**	21,079
Loan receivable		**2,904**	9,726
Short-term bank deposit		**–**	16,700
Bank balances and cash		**9,478**	1,072
		445,457	399,119
Total assets		**454,223**	407,409

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at	
		30 June	31 December
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	*14*	**3,578**	3,578
Reserves		**219,320**	213,621
Equity attributable to the owners of the Company		**222,898**	217,199
Non-controlling interests		**89**	124
Total equity		**222,987**	217,323
Non-current liabilities			
Lease liabilities		**–**	307
Other borrowings	*13*	**30,000**	50,000
		30,000	50,307
Current liabilities			
Trade and other payables	*12*	**96,789**	46,260
Tax payables		**18,119**	15,140
Contract liabilities		**1,944**	2,001
Bank and other borrowings	*13*	**78,000**	75,511
Amount due to a related party		**6,384**	–
Lease liabilities		**–**	867
		201,236	139,779
Total liabilities		**231,236**	190,086
Total equity and liabilities		**454,223**	407,409

NOTES TO UNAUDITED INTERIM 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, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is 1602, 13/F, Building 7, No. 63 Xidwang 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 interim condensed consolidated 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 interim condensed consolidated financial statements for the six months ended 30 June 2021 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 interim condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group's condensed consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions

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

Revenue by services nature

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Television ("TV") advertising services		
– Hard-sell TV advertising services *(Note)*	**69,825**	77,066
– Advertising solution packages involving soft-sell TV advertising services *(Note)*	**521**	54,269
	70,346	131,335
Online advertising services	**90,991**	20,186
Outdoor advertising services	**75,246**	40,950
Other advertising services	**8,658**	24,924
	245,241	217,395

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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Household furnishing & electronics	**146,088**	68,383
Tissue	**28,434**	–
Food and beverages	**9,865**	69,763
Telecommunications	**14,647**	19,593
Internet and mobile games	**–**	1,887
Pharmaceuticals	**–**	54,510
Automobile	**27,853**	–
Others	**18,354**	3,259
	245,241	217,395

Timing of revenue recognition

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Over time	**245,241**	217,395

ii. Segment information

Information reported to Directors, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. During the six months ended 30 June 2021, the CODM assesses the operating performance of the continuing operations and allocates resources of the Group as a whole, as all of the Group's activities are considered to be primarily the provision of advertising services. Accordingly, the CODM considers there is only one operating segment under the requirements of IFRS 8 Operating Segments. In this regard, no segment information is presented.

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

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**57**	67
Government grants *(Note (i))*	**1,599**	5,747
Input tax additional deduction on value added tax *(Note (ii))*	**598**	465
Interest income on loan receivable	**–**	486
Imputed interest income on other receivable	**–**	470
Gain on early termination of a lease *(Note (iii))*	**149**	11
Foreign exchange loss, net	**(14)**	(25)
Write-off of a property and equipment	**(120)**	(267)
Others	**(39)**	30
	2,230	6,984

Notes:

(i) The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies and for listing. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

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

(iii) As at 30 June 2021, gain on early termination of a lease represented the net difference of approximately RMB149,000 comprising an approximately RMB1,035,000 decrease in right-of-use assets and an approximately RMB1,184,000 decrease in lease liabilities.

As at 30 June 2020, gain on early termination of a lease represented the net difference of approximately RMB155,000 comprising an approximately RMB1,743,000 decrease in right-of-use assets and an approximately RMB1,898,000 decrease in lease liabilities, in addition to an approximately RMB144,000 compensation paid by the Group.

5. FINANCE COST

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	**4,018**	3,707
Interest expenses on lease liabilities	**10**	94
	4,028	3,801

6. INCOME TAX EXPENSES/(CREDIT)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current period	**5,920**	1,028
– Deferred tax	**(1,833)**	(1,240)
Income tax expenses/(credit)	**4,087**	(212)

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

The applicable tax rate of Xizang Wanmei Advertising Co., Ltd.* (西藏萬美廣告有限公司) ("Xizang Wanmei"), a wholly owned subsidiary of the Group, is 15% according to Circular Zang Zheng Fa [2018] No. 25 (the "Circular"). According to the Circular, enterprises located in Tibet and engaged in specific encouraged industries are qualified for applying a preferential tax rate of 15% for the periods from 2018 to 2020. As such, the EIT rate for Xizang Wanmei is 15% for both years. Subsequent to 31 December 2020, Ministry of Finance in PRC issued 2020 notice no. 23 to extend the tax concession period to 31 December 2030.

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

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.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June 2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Unaudited)
Depreciation of property and equipment	**199**	1,233
Amortisation of other intangible assets	**3**	3
Total depreciation and amortisation	**202**	1,236
Staff costs		
Salaries and allowances	**3,913**	6,736
Performance related bonuses *(Note)*	**361**	1,529
Retirement benefits contribution	**773**	159
Total staff costs	**5,047**	8,424
Auditor's remuneration	**150**	–
Cost of revenue recognised relating to short-term leases	**27,759**	722

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.

8. EARNINGS PER SHARE

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:

	Six months ended 30 June 2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**5,699**	8,809

Number of shares

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**400,000**	400,000

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 2021 and 2020.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

10. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables – contracts with customers	**377,778**	340,323
Less: allowance for credit losses	**(30,328)**	(21,338)
	347,450	318,985
Receivable from Investment A	**750**	750
Rental and other deposits	**2,191**	2,603
Others	**7,171**	7,325
	10,112	10,678
Less: allowance for credit losses	**(483)**	(390)
	9,629	10,288
Deductible value-added tax	**3,246**	4,167
Prepayments to suppliers	**53,251**	9,854
	56,497	14,021
Total trade receivables, prepayments and other receivables	**413,576**	343,294
Less: long-term deposits	**(152)**	(152)
Analysed as current assets	**413,424**	343,142

The Group's trade receivables with certain customers are used to secure certain bank borrowings which is disclosed in Note 13.

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

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

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

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

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

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

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**113,452**	132,041
31 to 90 days	**46,891**	32,437
91 to 180 days	**43,570**	7,902
181 to 360 days	**43,088**	105,416
Over 360 days	**100,449**	41,189
Total	**347,450**	318,985

11. CONTRACT ASSETS

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Contract assets	**11,740**	21,079

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.

12. TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**87,974**	35,838
Staff cost payables	**2,518**	2,529
Other tax payables	**3,302**	2,785
Listing expenses payables	**564**	1,937
Interest payable	**878**	1,420
Accrued expenses	**1,553**	1,751
	96,789	46,260

The following is an aged analysis of trade payables based on the date of billing:

	As at	
	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-30 days	**58,808**	13,554
31-90 days	**14,781**	6,438
Over 90 days	**14,385**	15,846
Total	**87,974**	35,838

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

13. BANK AND OTHER BORROWINGS

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans		
– unsecured *(Note i)*	**58,000**	70,000
Other borrowings		
– unsecured *(Note ii & iii)*	**50,000**	55,511
	108,000	125,511
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreements):		
Within one year	**78,000**	75,511
After one year but within two years	**30,000**	50,000
	108,000	125,511
Amounts shown under current liabilities	**78,000**	75,511
Amounts shown under non-current liabilities	**30,000**	50,000
	108,000	125,511

Notes:

(i) During the six months ended 30 June 2021, the Group borrowed and repaid RMB28,000,000 (30 June 2020: RMB40,000,000) and RMB40,000,000 (30 June 2020: RMB40,000,000) respectively from banks. The bank loans were guaranteed by five third party guarantors, who charged an upfront guarantee fees at 1.50% to 2.00% of the corresponding loan principal amounts. The effective interest rates of these bank loans are ranged from 4.05% to 4.87% per annum as at 30 June 2021 (31 December 2020: range from 7.15% to 7.92% per annum).

(ii) On 17 September 2020, the Group borrowed a loan of RMB50,000,000 with a repayable term of two years of which RMB20,000,000 is repayable on 16 March 2022 and RMB30,000,000 is repayable on 16 September 2022, and guaranteed by the controlling shareholder of the Company. The loan bears a fixed interest rate of 6.50% per annum.

During the year ended 31 December 2020, the Group borrowed additional loans of HKD11,000,000 (equivalent to approximately RMB9,511,000) from an independent third party for capital injection in its subsidiary and HKD4,626,000 (equivalent to approximately RMB4,000,000) was settled before 31 December 2020. The loan bears a fixed interest rate of 12% per annum and the remaining balance will be repayable on 23 October 2021. As at 31 December 2020, the outstanding balances of these loans amounted to HKD6,374,000 (equivalent to approximately RMB5,511,000) (2019: nil). The loans have been early settled during the six months ended 30 June 2021.

(iii) On 27 December 2019, the Group borrowed a loan of HKD1,625,000 (equivalent to RMB1,458,000) from an independent third party. The loan was fully repaid during the six months ended 30 June 2020. The loan bore a fixed interest rate of 12.32% per annum.

On 3 April 2020, the Group borrowed a loan of approximately RMB1,371,000 from an independent third party. The loan was fully repaid during the six months ended 30 June 2020. The loan bore a fixed interest rate of 12% per annum.

On 20 June 2020, the Group borrowed a loan of HKD38,480,000 (equivalent to approximately RMB35,120,000) from an independent third party. It was repaid in full on 2 July 2020, with a fixed interest rate of 12% per annum.

14. SHARE CAPITAL

	As at	
	30 June 2021	31 December 2020
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Shares		
Statutory:		
2,000,000,000 shares (31 December 2020: 2,000,000,000 shares) ordinary shares of HK$0.01 each	**20,000**	20,000

	As at	
	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
400,000,000 shares (31 December 2020: 400,000,000 shares) ordinary shares of HK$0.01 each	**3,578**	3,578

15. EVENTS AFTER THE REPORTING PERIOD

On 6 August 2021, the head office and principal place of business of the Company in the PRC was changed to 1602, 13/F, Building 7, No. 63 Xidawang Road, Chaoyang District, Beijing, the PRC.

Save as disclosed above, the Directors confirmed that subsequent to 30 June 2021 and up to the date of this interim results announcement, there have not been any major events affecting the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview and Business Review

(I) Market overview

In 2020, with the COVID-19 pandemic sweeping across the world, the advertising market in China decreased by 11.6% due to the pandemic. In the first half of 2021, China's economy continued to recover steadily with signs of steady consolidation. According to data released by the National Bureau of Statistics, China's gross domestic product (GDP) grew by 12.7% year-on-year in the first half of 2021, and with the recovery of China's economy, the entire advertising market showed restorative growth and strong upward market forces. According to data released by CTR Media Intelligence, the advertising market grew 27.3% year-on-year in the first quarter of 2021, with multiple advertising channels experiencing bounce-back growth after a decline and revenue from TV media advertising grew 19.9% year-on-year, with incremental growth in mainstream media ensuring significant growth in the advertising market overall. The advertising market has been active in the first quarter of the year, which was mainly due to the trough formed by the pandemic last year, and we hope that such vitality will perpetuate. At the same time, with the continuing evolution of the global pandemic and loads of unstable uncertainties, the domestic economy was recovering unevenly, and efforts are still required to consolidate the foundation of stable recovery, which also makes the advertising market face new changes and new challenges at all times.

Against the backdrop of the pandemic, we achieved a better profit in the first half of 2021 by adhering to the principle of 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. We believe that in the post-pandemic era, we will gradually recover and achieve better results through our efforts.

(II) Business review

TV advertising services

The Group provides professional and personalised TV advertising solutions to our customers. By leveraging our long-term business relationship with major suppliers, we are able to provide customers with a wealth of cost-effective communication resources, deliver high-quality advertising displays within their budgets, and maximize the value of advertising. During the period under review, while facing an especially challenging COVID-19 pandemic-impacted market, we integrated our advantages, upgraded our TV advertising services into a more comprehensive and in-depth communications services and optimised our media resources portfolio to enhance our competitiveness. Our commitment to providing more accurate and effective personalised advertising solutions during the process of implementation has been acknowledged by such renowned customers such as a well-known domestic brand beverage seller, a large domestic telecommunications service provider, a well-known domestic sino-foreign joint venture automotive company (headquartered in Beijing).

In terms of content marketing business, the Group has been actively improving its creative design and communication capability to complete content placement ideas, content integration planning, secondary communication marketing and implementation action plans for various customers, so as to enhance customers' brand value by content integration. During the period under review, the Group provided services for the cooperation between a leading home appliances manufacturer in China (headquartered in Qingdao) and Shenzhen Satellite TV on a press conference of a pan-science knowledge-based program.

During the period under review, revenue from TV advertising services was approximately RMB70.3 million.

Online advertising services

The Group has continued to develop an online advertising services business. By leveraging the advantages of online media and new media resources matrix via big data and precise placement technologies and continuing to enhance its integrated internet service capabilities, the Group consistently provides customers with effective high-quality online advertising resources and one-stop online marketing solutions. During the period under review, we successively completed online media advertising placements for a leading home appliances manufacturer in China (headquartered in Qingdao), a fashion wearable massager brand in China (headquartered in Shenzhen) and other customers, which has been highly recognised and praised by our clients.

During the period under review, the revenue from online advertising services amounted to approximately RMB91.0 million.

Outdoor advertising services

The Group continues to strengthen and improve its market penetration in the areas of outdoor display boards, LED displays, building lifts and buses, subways and outdoor advertising. With our high-quality outdoor advertising resources and good connections with relevant suppliers, we are able to ensure that our customers' outdoor advertising placements needs are consistently fulfilled. During the period under review, we seized market opportunities and successively completed outdoor advertising placements services for a leading home appliances manufacturer in China (another manufacturer headquartered in Qingdao), a leading professional manufacturer of household paper in China, a residential services platform in China (listed on the NYSE) and other customers.

During the period under review, revenue from outdoor advertising services amounted to approximately RMB75.2 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to develop and utilise resources in new areas such as radio advertising, magazine advertising and newspaper advertising to meet customers' diversified advertising needs. During the period under review, the Group successively served customers including a well-known brand in the solar thermal sector in China (headquartered in Lianyungang) and a residential services platform in China (listed on the NYSE), with revenue from other advertising services amounting to approximately RMB8.7 million.

Financial Review

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

During the period under review, the Group recorded revenue of approximately RMB245.2 million, representing an increase of approximately 12.8% as compared to approximately RMB217.4 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 RMB70.3 million, representing a decrease of 46.4% from RMB131.3 million for the corresponding period last year. The significant decline in revenue from the service of the project was mainly due to the shift of customers into online advertising and outdoor advertising.

(II) During the period under review, revenue from online advertising services was RMB91.0 million, representing an increase of approximately 350.5% from RMB20.2 million for the corresponding period last year. The significant increase in revenue from this service was mainly due to the increase of part of the advertising investment of the customers.

(III) During the period under review, revenue from outdoor advertising services was RMB75.2 million, representing an increase of 83.4% from RMB41.0 million for the corresponding period last year. The significant increase in revenue from this service was mainly due to the increase of part of the advertising investment of the customers.

(IV) During the period under review, revenue from other advertising services was RMB8.7 million, representing a decrease of 65.1% from RMB24.9 million for the corresponding period last year. The significant decline in revenue from this project was mainly due to the shift of customers into online advertising and outdoor advertising.

During the period under review, profit and total comprehensive income attributable to the owners of the Company amounted to RMB5.7 million, while profit and total comprehensive income attributable to the owners of the Company for the corresponding period last year amounted to RMB8.8 million.

Gross profit and gross profit margin

During the period under review, the Group recorded gross profit and gross profit margin of approximately RMB27.1 million and 11.0%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB24.5 million and 11.3%, respectively. The Group's gross profit and gross profit margin performance was relatively stable.

Other income, gains and loss

During the period under review, other income, gains and loss of the Group amounted to approximately RMB2.2 million, representing a decrease of approximately 68.6% from approximately RMB7.0 million for the corresponding period last year. The Group's other income, gains and loss were mainly attributable to the subsidy received from the local government and the additional deduction of input tax on value-added tax.

Selling and marketing expenses

During the period under review, selling and marketing expenses of the Group amounted to approximately RMB3.4 million, representing a decrease of approximately 39.3% from approximately RMB5.6 million for the corresponding period last year, which was mainly due to the decrease in numbers of employees and salary reductions as a result of the impact of the pandemic in 2020.

Administrative expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB4.5 million, representing a decrease of approximately 48.9% from approximately RMB8.8 million for the corresponding period last year, which was mainly due to the reduction in consultancy fees and renovation costs in 2021.

Finance costs

During the period under review, finance costs of the Group amounted to approximately RMB4.0 million, representing an increase of approximately 5.3% from approximately RMB3.8 million for the corresponding period last year, which was mainly due to the increase in bank loan interest rates in 2021.

Impairment losses of financial assets

During the period under review, the Group's impairment losses on receivables was approximately RMB7.6 million, representing an increase of approximately 52.0% from approximately RMB5.0 million for the corresponding period last year, which was mainly due to the increase in trade receivables during the period under review. The Group sent demand notices to relevant customers and obtained their undertakings to pay the outstanding amount within a specified period as agreed by both parties.

Income tax expenses/credit

During the period under review, the Group's income tax expense was approximately RMB4.1 million (income tax credit for the six months ended 30 June 2020: approximately RMB0.2 million), representing a year-on-year increase of income tax expenses approximately 2,150.0%, which was mainly due to the increase in taxable income for the year.

Profit for the period

During the period under review, the Group's profit amounted to approximately RMB5.7 million (profit for the six months ended 30 June 2020: approximately RMB8.6 million), representing a year-on-year decrease of approximately 33.7%, which was due to the decrease in non-operating income of the Group on top of the aforementioned factors.

Deferred tax assets

As at 30 June 2021, deferred tax assets amounted to approximately RMB8.1 million (as at 31 December 2020: approximately RMB6.3 million), representing an increase of approximately 28.6% as compared with deferred tax assets as at 31 December 2020, which was mainly due to a significant increase in impairment losses of financial assets.

Trade receivables, prepayments and other receivables

As at 30 June 2021, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB413.4 million (as at 31 December 2020: approximately RMB343.1 million), representing an increase of approximately 20.5% as compared with trade receivables, prepayments and other receivables as at 31 December 2020. The significant increase in trade receivables, prepayments and other receivables was mainly due to factors including (1) a seasonal fluctuation in demand for the Group's advertising services of customers; and (2) the customers' need for a longer credit period which will affect the Group's operating cash flow.

Contract assets

As at 30 June 2021, the Group's contract assets amounted to RMB11.7 million (as at 31 December 2020: approximately RMB21.1 million), representing a decrease of approximately 44.5% as compared with contract assets as at 31 December 2020. The substantial decrease in contract assets was mainly due to the delay in the verification of the advertising carried out by the Group by independent competent manufacturers with relevant qualifications and experience.

Loan receivable

As at 30 June 2021, the Group's loan receivable amounted to approximately RMB2.9 million (as at 31 December 2020: approximately RMB9.7 million), representing a decrease of approximately 70.1% as compared with that as at 31 December 2020, which was mainly due to the repayment of the loan receivable in accordance with the repayment schedule.

Trade and other payables

As at 30 June 2021, trade and other payables of the Group amounted to approximately RMB96.8 million (as at 31 December 2020: approximately RMB46.3 million), representing an increase of approximately 109.1% as compared with the trade and other payables as at 31 December 2020.

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. The Group is generally required to pay within 60 days of calculating the actual number of exposures or hits per month. During the period under review, revenue from online advertising services was severely affected, with related costs of main business and trade payables balance affected accordingly.

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

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

During the period under review, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Liquidity and financial resources

As at 30 June 2021, bank balances and cash and short-term bank deposit was approximately RMB9.478 million (as at 31 December 2020: approximately RMB17.772 million), of which, approximately 98.98% was in RMB, the remaining approximately 1.02% was in HKD and other currencies.

The bank balances and cash and short-term bank deposit were denominated in the following currencies:

	As at 30 June 2021		As at 31 December 2020	
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
RMB	**9,381**	**98.98%**	17,186	96.70%
HK$	**58**	**0.61%**	557	3.14%
US$	**39**	**0.41%**	29	0.16%
	9,478	**100.00%**	17,772	100.00%

Gearing ratio

The Group's gearing ratio decreased from approximately 58.3% as at 31 December 2020 to approximately 51.3% as at 30 June 2021, which was primarily due to repayment of part of bank borrowings during the period under review.

The gearing ratio is calculated by dividing the sum of total (i) bank and other borrowings; (ii) loans payable to related parties; and (iii) lease liabilities by total equity as at the end of the respective periods, and multiplied by 100%.

Pledged assets

During the period under review, the Company did not charge any fixed assets as securities for borrowings.

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.

Foreign exchange risk

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

Interest rate risk

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

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

Use of proceeds from the initial public offering

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 November 2019 (the "**Listing Date**") and the net proceeds raised from the 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 disclosed in the Company's announcement dated 24 February 2020, the Board resolved to change the use of unutilised IPO Net Proceeds. The below table sets out the intended use of the IPO Net Proceeds and the actual usage up to 30 June 2021:

Intended use of IPO Net Proceeds	Original allocation of IPO Net Proceeds	Revised allocation of IPO Net Proceeds	The accumulative amount of IPO Net Proceeds utilised as at 31 December 2020	The amount of IPO Net Proceeds utilised between 1 January 2021 to 30 June 2021	The unutilised amount of IPO Net Proceeds as at 30 June 2021
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(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	37.6	33.3	33.3	–	–
Further developing the Group's online advertising business	23.6	23.6	17.8	5.8	–
Further developing the Group's outdoor advertising business	9.7	9.7	8.6	1.1	–
Strengthening the Group's strategy formulation and data analytical capabilities and enhance its reputation in the market	7.9	7.9	1.3	6.6	–
General working capital purpose	–	4.3	4.3	–	–
	78.8	78.8	65.3	13.5	–

The Company intended to use the unutilized IPO Net Proceeds in accordance with the method described in the prospectus of the Company dated 31 October 2019 (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. As at 30 June 2021, the Company has fully utilised the IPO Net Proceeds.

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 2021, the Group employed a total of 40 full-time employees (as at 30 June 2020: 62 full-time employees). Compared with the total number of employees as at 30 June 2020, the number of employees decreased by 22. The 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 the COVID-19 pandemic and have disengaged with the Group, and the Group has not filled the corresponding vacancies in the short run.

During the period under review, the relevant staff costs amounted to approximately RMB5.0 million (six months ended 30 June 2020: approximately RMB8.4 million), representing a decrease of RMB3.4 million or approximately 40.5% as compared to the same period last year. This was mainly due to a reduction in the number of staff and the restructuring of the Company, which resulted in an increase in personal workload for existing staff to supplement the corresponding vacancies.

SUBSEQUENT EVENTS AFTER THE PERIOD UNDER REVIEW

On 6 August 2021, the head office and principal place of business of the Company in the PRC was changed to 1602, 13/F, Building 7, No. 63 Xidawang Road, Chaoyang District, Beijing, the PRC.

Save as disclosed above, the Directors confirmed that subsequent to 30 June 2021 and up to the date of this announcement, there have not been any major events affecting the Group.

INDUSTRY AND THE GROUP'S OUTLOOK

Looking ahead to the second half of 2021, the post-pandemic era will continue to affect people's living and consumption, and the market environment will still be affected by many uncertainties such as the slowdown in global economic growth and trade frictions between the United States and China, which put the development of the advertising industry under tremendous pressure and severe challenges. However, we always maintain confidence and expectation in the medium to long-term prosperity of China's economy. To proactively respond to the market changes and operational pressures, the Group will continue to implement a number of initiatives to enhance efficiency in response to short-term market challenges and strive to maintain a stable operation during the economic down cycle and lay a foundation for better development in the future.

During the pandemic, consumers of all ages are returning to television for reliable information. In particular, young viewers aged between 15 and 34 have become the backbone of the proactive return to TV screens in the pandemic. According to CTR's "2020 Advertiser Marketing Survey Report", advertisers still value the authority and positive value of TV media, a value which is currently difficult to replace with the internet platform. With the advent of the 5G era, TV as the representative of the large home screen will show new prospects in the future.

Therefore, in the second half of 2021, we will focus on our existing strengths and core competencies and return to our main focus on TV advertising business by following the trend. We will continue to strengthen our core competency in content marketing communications, and are committed to providing quality communications services to our customers, offering tailor-made creative content and communications solutions through programme planning, content implantation, IP creation and on-site execution, empowering our customers' brand value with innovative capabilities and maintaining the Group's leading market share in the television advertising business.

During the pandemic, online digitalization has become the starting point of the entire society to deal with uncertainty. Both individuals and enterprises, as well as governments, are aware of the importance of online digital channels. When problems arise, digital channels can help us gain more channels and opportunities to communicate with consumers, with people around us, and with the public. In the second half of 2021, the Group will continue to steadily develop its online advertising business. Through the use of big data and precision placement technology, the Group will continue to enhance its internet integration service capabilities and provide one-stop digital marketing solutions to its customers to enhance their placement effectiveness and brand influence on the internet.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2021.

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 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

DIVIDENDS

The Board did not declare the payment of a final dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

REVIEW OF UNAUDITED INTERIM RESULTS

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Group's interim results for the six months ended 30 June 2021 have not been audited by the auditor of the Company. The Audit Committee comprises of three independent non-executive Directors, namely Mr. Li Xue (Chairman), Mr. Wu Ke and Mr. How Sze Ming. The Audit Committee has reviewed the Company's unaudited interim results for the six months ended 30 June 2021 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of financial reporting.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2021 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, 20 August 2021

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. Li Xue, Mr. Wu Ke and Mr. How Sze Ming.