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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1640)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Ruicheng (China) Media Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (together, the "**Group**", "**our**" or "**we**") for the year ended 31 December 2021 (the "**Reporting Period**") prepared under the International Financial Reporting Standards (the "**IFRSs**"), together with the comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*3*	**441,051**	446,993
Cost of revenue		**(423,752)**	(406,694)
Gross profit		**17,299**	40,299
Other income, gains and losses	*4*	**3,939**	10,369
Selling and marketing expenses		**(7,132)**	(9,726)
Administrative expenses		**(8,916)**	(14,016)
Finance costs	*5*	**(11,872)**	(8,519)
Impairment losses reversed (recognised) of financial assets and contract assets, net	*6*	**10,984**	(14,031)
Profit before tax		**4,302**	4,376
Income tax expenses	*7*	**(3,839)**	(1,550)
Profit and total comprehensive income for the year	*8*	**463**	2,826
Profit and total comprehensive income attributable to:			
– Owners of the Company		**445**	2,844
– Non-controlling interests		**18**	(18)
		463	2,826
EARNINGS PER SHARE	*10*		
Basic (RMB)		**0.11cents**	0.71cents
Diluted (RMB)		**0.11cents**	0.71cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**429**	1,814
Intangible assets		**27**	33
Deferred tax assets		**3,542**	6,291
Long-term deposit	*11*	**–**	152
		3,998	8,290
Current assets			
Drama series production in progress		**–**	7,100
Trade receivables, prepayments and other receivables	*11*	**341,100**	343,142
Amounts due from related parties		**831**	300
Contract assets	*12*	**23,472**	21,079
Loan receivable		**–**	9,726
Short-term bank deposit		**–**	16,700
Bank balances and cash		**34,865**	1,072
		400,268	399,119
Total assets		**404,266**	407,409
Capital and reserves			
Share capital		**3,578**	3,578
Reserves		**214,066**	213,621
Equity attributable to owners of the Company		**217,644**	217,199
Non-controlling interests		**142**	124
Total equity		**217,786**	217,323

	Notes	2021	2020
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**–**	307
Other borrowings – unsecured	*15*	**–**	50,000
		–	50,307
Current liabilities			
Trade and other payables	*13*	**39,007**	46,260
Tax payables		**14,570**	15,140
Contract liabilities	*14*	**16,612**	2,001
Bank and other borrowings – unsecured	*15*	**115,984**	75,511
Lease liabilities		**307**	867
		186,480	139,779
Total liabilities		**186,480**	190,086
Total equity and liabilities		**404,266**	407,409

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1.1 General information

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

The address of the Company's registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is 1602, 13/F, Building 7, No. 63 Xidawang Road, Chaoyang District, Beijing, the People's Republic of China (the "PRC" or "China").

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of advertising services in the PRC.

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

1.2 Basis of preparation and presentation of consolidated financial statements

Going concern

Notwithstanding that the Group has relatively low level of bank balances and cash of approximately RMB34,865,000 compared to bank and other borrowings which is repayable within one year of approximately RMB115,984,000 as at 31 December 2021, the consolidated financial statements have been prepared on a going concern basis as the Directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matter.

The Directors of the Company will continue to take active measures to control costs through various channels including human resources optimisation and also speed up the collection from settlement of trade receivables to improve operating cash flows and its financial position.

The validity of the going concern basis on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the above measures being taken by the Directors of the Company and the outcome of these measures as described above. Hence, the Directors of the Company are of the view that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue operating as a going concern, and adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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

In the current year, the Group has applied, for its first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2021:

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

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments[3]
Amendments to IFRS 3	Reference to Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle[2]
Amendment to IFRS 17[3]	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

Revenue by services nature

	2021	2020
	RMB'000	*RMB'000*
Television ("TV") advertising services		
– Hard-sell TV advertising services *(Note)*	**70,724**	149,016
– Advertising solution packages involving soft-sell TV advertising services *(Note)*	**21,097**	84,416
	91,821	233,432
Digital advertising services	**221,491**	89,200
Outdoor advertising services	**112,325**	72,079
Other advertising services	**15,414**	52,282
	441,051	446,993

Note: Hard-sell TV advertising service is the placement of traditional advertisements during TV advertising time slots, and soft-sell TV advertising service is the implantation of advertisements in variety shows and TV series such as product placement, title sponsorship, subtitle advertisement and verbal slogan.

Revenue by customer types

	2021	2020
	RMB'000	*RMB'000*
Advertisers	**82,746**	214,358
Advertising agents	**358,305**	232,635
	441,051	446,993

Revenue by categories of products or services being advertised

	2021	2020
	RMB'000	*RMB'000*
Household furnishing & electronics	**303,489**	136,435
Tissue	**28,434**	–
Foods and beverages	**12,425**	96,046
Telecommunications	**14,647**	30,662
Internet and mobile games	**–**	54,215
Pharmaceuticals	**–**	113,876
Automobile	**63,702**	6,792
Others	**18,354**	8,967
	441,051	446,993

Timing of revenue recognition

	2021	2020
	RMB'000	*RMB'000*
Over time	**441,051**	446,993

(ii) Performance obligations for contracts with customers

The Group principally earns revenue from the provision of advertising services which usually range from one to twelve months. Advertising services typically meet the criterion where customers simultaneously receive and consume the benefit of the Group's performance as the Group performs. Therefore, such revenue is recognised as a performance obligation satisfied over time, using output method.

The Group acts as the principal during the provision of advertising services and therefore recognised revenue earned and costs incurred related to these transactions on a gross basis where the Group is the primary obligor and are responsible for (1) identifying and contracting with third-party advertiser which the Group views as customers; (2) identifying and contracting with media platforms to provide advertising time or space where the Group views media platforms as suppliers; (3) establishing selling price for the advertising services; and (4) bearing sole responsibility for fulfillment of the advertising services.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All advertising services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

(iv) Segment information

Information reported to the Directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and assessment of segment performance, focuses on types of services provided. During the two years ended 31 December 2021, the CODM assesses the operating performance and allocates resources of the Group as a whole, as all of the Group's activities are considered to be primarily the provision of advertising services. Accordingly, the CODM considers there is only one operating segment under the requirements of IFRS 8 Operating Segments. In this regard, no segment information is presented.

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

Information about major customers

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

	2021	2020
	RMB'000	*RMB'000*
Customer A[1]	**128,493**	110,174
Customer B[2]	**105,000**	N/A[3]

1 Revenue is from TV advertising services, digital advertising services, outdoor advertising services and other advertising services.

2 Revenue is from digital advertising services.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

4. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Interest income on bank deposits	**63**	86
Government grants *(Note (i))*	**3,157**	9,726
Input tax additional deduction on value added tax *(Note (ii))*	**885**	636
Interest income on loan receivable	**–**	1,137
Imputed interest income on other receivable	**–**	470
Gain on early termination of a lease *(Note (iii))*	**–**	11
Foreign exchange loss, net	**–**	(353)
Write-off of a deposit paid	**–**	(943)
Write-off of a property and equipment	**–**	(267)
Others	**(166)**	(134)
	3,939	10,369

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) During the year ended 31 December 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 COSTS

	2021 *RMB'000*	2020 *RMB'000*
Interests on:		
Bank and other borrowings	**6,797**	6,519
Lease liabilities	**10**	120
	6,807	6,639
Guarantee fees on bank borrowings	**5,065**	1,880
	11,872	8,519

6. IMPAIRMENT LOSSES (REVERSED) RECOGNISED OF FINANCIAL ASSETS AND CONTRACT ASSETS, NET

	2021 *RMB'000*	2020 *RMB'000*
Impairment losses of financial assets and contract assets:		
– Trade receivables	**–**	13,635
– Other receivables	**185**	41
– Loan receivable	**–**	2,853
– Contract assets	**334**	116
	519	16,645
Impairment losses reversed of financial assets		
– Trade receivables	**(8,229)**	–
– Loan receivable	**(3,274)**	–
– Other receivables	**–**	(2,614)
	(11,503)	(2,614)
Total impairment losses reversed (recognised)	**(10,984)**	14,031

7. INCOME TAX EXPENSES

	2021	2020
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")		
Current year taxation	**1,017**	5,492
Under (over)-provision in prior year	**73**	(440)
Deferred tax	**2,749**	(3,502)
	3,839	1,550

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

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

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

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

* *English name is for identification purpose only.*

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Staff costs		
Directors' and chief executive's emoluments *(Note 11)*	**1,803**	2,445
Other staff:		
– Salaries and other allowances	**6,118**	7,337
– Performance related bonuses *(Note)*	**1,143**	2,171
– Retirement benefits scheme contributions (excluding directors and chief executive)	**2,293**	1,615
Total staff costs	**11,357**	13,568
Amortisation of intangible assets	**6**	5
Depreciation of property and equipment	**1,385**	1,434
Total depreciation and amortisation	**1,391**	1,439
Auditors' remuneration	**1,100**	1,000
Cost of revenue recognised relating to short-term leases	**41,099**	30,126

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

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021 (2020: nil), nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share representing profit for the year attributable to owners of the Company	**445**	2,844

Number of shares

	2021	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**400,000**	400,000

Diluted earnings per share were the same as the basic earnings per share as there was no diluted potential ordinary shares in existence during the years ended 31 December 2021 and 2020.

11. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables – contracts with customers	**306,721**	340,323
Less: loss allowance for expected credit loss	**(13,109)**	(21,338)
	293,612	318,985
Receivable from a supplier	**4,238**	–
Receivable from Investment A	**750**	750
Rental and other deposits	**3,061**	2,603
Others	**3,654**	7,325
	11,703	10,678
Less: allowance for credit losses	**(575)**	(390)
	11,128	10,288
Deductible value-added tax	**4,293**	4,167
Prepayments to suppliers	**32,067**	9,854
	36,360	14,021
Total trade receivables, prepayments and other receivables	**341,100**	343,294
Less: long-term deposits	**–**	(152)
Analysed as current assets	**341,100**	343,142

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 (2020: 15 to 90 days) after issued billings to customers.

For digital advertising services, the Group generally provides credit periods of 90 days (2020: ranging from 15 to 90 days) after issued billings to customers.

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

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

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

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**139,483**	132,041
31 – 90 days	**25,754**	32,437
91 – 180 days	**37,794**	7,902
181 – 360 days	**72,787**	105,416
Over 365 days	**17,794**	41,189
Total	**293,612**	318,985

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of approximately RMB293,612 (31 December 2020: RMB202,520,000), which are past due as at the reporting date. Out of the past due balances, RMB128,376,000 (2020: RMB142,014,000), has been past due over 90 days and within two years and is not considered as in default because there is no significant change in credit quality and the amounts are still considered recoverable. The remaining past due balances of RMB165,236,000 (2020: RMB60,506,000) have been past due less than 90 days. The Group does not hold any collateral over these balances or charge any interest thereon.

12. CONTRACT ASSETS

	2021	2020
	RMB'000	*RMB'000*
Current		
Contract assets	**23,472**	21,079

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

As at 31 December 2021, the gross carrying amount of contract assets is approximately RMB23,960,000 (2020: RMB21,233,000), net of accumulated loss allowance for ECL of approximately RMB488,000 (2020: RMB154,000).

13. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**32,203**	35,838
Staff cost payables	**2,281**	2,529
Other tax payables	**1,118**	2,785
Listing expenses payables	**817**	1,937
Interest payable	**1,222**	1,420
Accrued expenses	**1,366**	1,751
	39,007	46,260

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

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**11,237**	13,554
31 – 90 days	**17,352**	6,438
Over 90 days	**3,614**	15,846
	32,203	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. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Current		
Contract liabilities	**16,612**	2,001

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

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

15. BANK AND OTHER BORROWINGS – UNSECURED

	2021	2020
	RMB'000	*RMB'000*
Bank borrowings		
– unsecured *(Note (i))*	**61,000**	70,000
Other borrowings		
– unsecured *(Note (ii))*	**54,984**	55,511
	115,984	125,511
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreements):		
Within one year or on demand	**115,984**	75,511
After one year but within two years	**–**	50,000
	115,984	125,511
Amounts shown under current liabilities	**115,984**	75,511
Amounts shown under non-current liabilities	**–**	50,000
	115,984	125,511

Notes:

(i) The bank loans were guaranteed by six (31 December 2020: four) third party guarantors, who charged the Group an upfront guarantee fees range from 1.30% to 2.08% (2020: from 1.70% to 2.00%) of the corresponding loan principal amounts. The effective interest rates (which are also equal to contracted interest rates) of these bank loans range from 3.85% to 6.50% (31 December 2020: from 7.15% to 7.92%) per annum as at 31 December 2021.

(ii) During the year ended 31 December 2020, the Group borrowed 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) (2021: nil). The loans have been settled during the year ended 31 December 2021.

During the year ended 31 December 2020, the Group borrowed another 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 2021, the Group borrowed loan of approximately RMB4,984,000 (2020: nil) from its shareholder with a repayable term of unsecured, non-interest bearing and repayable on demand.

The loan agreements do not impose any covenants.

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

The year 2021 showed a sustained recovery of economy due to stable control of the pandemic in China and the support of national macroeconomic policies. In 2021, China's GDP growth rate was 8.1%, with an average growth rate of 5.1% in two years (Data source: National Bureau of Statistics). Year 2021 is a critical year for post-pandemic recovery. Under the havoc of the pandemic, the advertising market recovered well. In 2021, the overall advertising market grew by 11.2% year-on-year, and several major communication channels improved compared with year 2020. From the perspective of industry performance, the beverage, cosmetics and personal products industries increased significantly and all exceeded the level of 2019. (Data sources: CTR Media Intelligence, *China Advertising Market Review 2021*). The growth of advertising market data showed that advertisers had high expectations for the market. The long-standing CTR's advertiser marketing surveys showed that in 2021, advertisers' confidence in themselves, their industries and the overall market conditions is significantly higher than that in the previous two years. It is expected that the advertising market will have greater room for growth in 2022.

In 2021, according to the change of pandemic and the actual communication needs of customers, the Group focused on its existing strengths and core competencies, while adjusting and optimizing its business structure to enhance the integrated marketing of Internet variety and the integrated communication business of outdoor scenes. The Group is committed to serving customers by offering professional and efficient content marketing and excellent integrated communication services to facilitate the Company's steady development.

Business Review

TV advertising services

The Group provides professional and personalized TV advertising solutions to our customers, aiming at delivering high-quality advertising displays within their budgets, and maximizing the value of advertising. During the Reporting Period under review, while facing an especially challenging COVID-19 pandemic-impacted market, we integrated our advantages and enhanced our competitiveness through the optimization on the media resource portfolio, and leveraged more advertising placements from brand customers with customized advertising strategies and more comprehensive and in-depth communication services. During the Reporting Period, the Group provided TV advertising services such as advertising placements of brands or products, implantation design of advertisements to customers, including a well-known domestic brand beverage seller and a large domestic telecommunications service provider, respectively, which gained recognition from various well-known customers.

In terms of content marketing business, the Group has been actively improving its creative design and communication capability to complete content placement ideas, content integration planning, secondary communication marketing and implementation action plans for various customers, so as to enhance customers' brand value by content integration. During the Reporting Period under review, the Group successively provided services to major advertiser customers, including a leading home appliances manufacturer in China with its headquarter located in Qingdao and a leading kitchen appliances manufacturer with its headquarter located in Ningbo, involving projects cooperation such as the cooperation between a leading home appliances manufacturer in China (headquartered in Qingdao) and Shenzhen Satellite TV on a knowledge speech programme on celebrating New Year's Eve, and the cooperation between a leading kitchen appliances manufacturer advertiser with its headquarter located in Ningbo and a provincial satellite TV station in Shanghai on a large-scale home modification programme.

Due to the unpredictability nature of the pandemic, market consumption demand declined and advertisers tended to be more cautious in placing TV advertisements and reduced their advertising budget. As a result, the Group recorded a corresponding decrease in revenue from TV advertising business. During the Reporting Period under review, the television advertising services business generated revenue of approximately RMB91.821 million.

Digital advertising services

We will strengthen our services in Internet advertisement and communication in response to the prevailing Internet media development trend and advertising demand of advertisers. Meanwhile, we have thoroughly explored clients' demand in respect of Internet communication sector. Riding on the strengths and experience accumulated by the Company in TV content marketing and communications, we are able to enhance the communication service of Internet variety show content, from which we largely integrated our successful experience in digital advertising business and conventional business, providing one-stop integrated digital marketing solutions to clients.

During the Reporting Period under review, the advertisers served by the Group included a leading domestic home appliances manufacturer based in Qingdao and a renowned electric vehicle manufacturer based in Jinhua, Zhejiang. Our services covered cooperation in Internet and variety show projects. For instance, the leading domestic home appliances manufacturer based in Qingdao, as an advertiser, sponsored an intimate relationship observation reality show and a Lego creativity challenge show whereas its high-end international home appliances brand sponsored a panorama music contest and performance variety show. The renowned electric vehicle manufacturer based in Jinhua, Zhejiang, as an advertiser, sponsored a street dance contest reality show.

During the cooperation period, the Group gained high recognition and praises from clients as each and every one of them achieved an excellent communication outcome. During the Reporting Period, the revenue from digital advertising services amounted to approximately RMB221.491 million.

Outdoor advertising services

Given the ongoing favorable development in pandemic prevention and control, consumers are willing to spend more time to go outdoors. Corporate clients tended to see outdoor advertisements as more effective in delivering advertisement message. Based on the actual communication demand of clients, the Group enhanced its effort in providing outdoor advertising services and continued 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 offer diversified scenes and integrated scene communication solutions to clients.

During the Reporting Period under review, the Group successively provided some major domestic home appliances manufacturers, major domestic residential property service providers, domestic renowned children's online education brands and programming education and training brands with advertising placements in public transport, LED, buildings and outdoor flash in various regions of China. The revenue from outdoor advertising services amounted to approximately RMB112.325 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to develop and utilise resources in new areas such as brand strategic design service, radio advertising and magazine advertising to meet customers' diversified advertising needs. During the Reporting Period under review, the Group successively served some major domestic home appliances manufacturers as well as provided brand culture IP strategic design and TVC (television commercial) shooting and production services to a renowned water and drink brand, with revenue from other advertising services amounting to approximately RMB15.414 million.

Financial review

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

During the Reporting Period, the Group recorded revenue of RMB441.051 million, representing a decrease of 1.33% from RMB446.993 million for the corresponding period last year.

Revenue details for the Reporting Period are as follows:

(1) During the Reporting Period, revenue from TV advertising services was RMB91.821 million, representing a decrease of 60.66% from RMB233.432 million for the corresponding period last year. Due to the decline in consumer demand as a result of the recurrence of the COVID-19 pandemic, advertisers have been more cautious in placing television their advertisements and their advertising budgets have reduced, resulting in a corresponding decline in revenue from the Group's television advertising business. Also, due to the easy implementation of tradition advertisements for TV media with transparent price space and the competitive environment of the media industry, such as low quoted price maliciously offered by competing companies, the Company had to bid at a low quoted price. Therefore, revenue from TV advertising services has decreased.

(2) During the Reporting Period, revenue from digital advertising services was RMB221.491 million, representing an increase of 148.31% from RMB89.200 million for the corresponding period last year. The increase in revenue of the business was mainly in response to the current development trend of the Internet media and advertisers' demand, and the Group increased its offering of digital advertising services. At the same time, the Group fully explored the needs of its customers in the field of Internet communication and leveraged on its accumulated advantages and experience in the marketing and communication of television content to enhance the communication services of Internet variety contents, combining the digital advertising and successful experience of traditional business to provide one-stop integrated digital marketing solutions to its customers. As a result, revenue from digital advertising increased significantly in 2021.

(3) During the Reporting Period, revenue from outdoor advertising services was RMB112.325 million, representing an increase of 55.84% from RMB72.079 million for the corresponding period last year. As the situation of pandemic prevention and control continues to improve with increasing market demands and that consumer audiences are willing to spend more time outdoors, outdoor advertising has assumed a greater role in brand advertising for corporate clients. Based on the actual communication needs of clients, we adjusted and optimized our business structure, increased our outdoor advertising services and continued to strengthen and improve our market penetration in the areas of outdoor display boards, LED display panels, lifts in buildings, bus bodies and outdoor subways. With our high-quality outdoor advertising resources and good connections with relevant suppliers, we provided our customers with a variety of scenes and integrated communication solutions for scenes. As a result, revenue from outdoor advertising increased significantly in 2021.

(4) During the Reporting Period, revenue from other advertising services was RMB15.414 million, representing a decrease of 70.52% from RMB52.282 million for the corresponding period last year. In terms of other advertising services, on the basis of the stable foundation formed by its original diversified media advertising services, the Group developed and utilised resources such as brand strategy design services, radio advertising and magazine advertising to meet customers' diversified advertising needs. However, due to the decline in consumer demand as a result of the recurrence of the pandemic and under the downward pressures of the economy, advertisers have significantly reduced the placement of other advertisements (in case of recording a positive revenue growth, advertisers will invest in other diversified advertising to strengthen the communication effect). As a result, revenue from other advertising decreased in 2021.

During the Reporting Period, the profit and total comprehensive income attributable to the owners of the Company was RMB0.463 million, while that of the corresponding period last year was RMB2.826 million.

Gross profit and gross profit margin during the Reporting Period

During the Reporting Period, the Group recorded gross profit and gross profit margin of approximately RMB17.299 million and 3.92%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB40.299 million and 9.02%, respectively. The Group's gross profit margin was lower than the level of the corresponding period, which is mainly due to: (1) the decline in consumer demand as a result of the recurrence of the pandemic, the overall advertising market saw a significant decline in advertising placement. The impact of the pandemic on the consumer, transportation, entertainment and leisure, commercial and service sectors was significant. Advertisers adopted a more cautious and contractionary strategy in advertising due to risk aversion purposes, and advertising placing was significantly less motivated and advertising budgets were significantly lower than in previous years, with some advertisers even holding off on advertising placement, resulting in a decrease in profit from the Company's advertising business; (2) the easy implementation of tradition advertisements for TV media with transparent price space and the competitive environment of the media industry, such as low quoted price maliciously offered by competing companies, which resulted that the Company had to bid at a low quoted price. This has resulted in lower profits from the TV media and part of the outdoor media, driving down profit margins from a single customer; and (3) under the circumstance of the drastic changes in the media environment (from TV to the Internet), the Company has been serving major customers for many years, strengthening its strategic services and facilitating the transformation of cooperation, in order to prepare the future strategic layout in advance and ensure long-term benefits. Therefore, strategic costs increased and profit margin decreased in 2021.

OTHER INCOME, GAINS AND LOSSES

During the Reporting Period, other income, gains and losses of the Group amounted to approximately RMB3.939 million, representing a decrease of approximately 62.01% from approximately RMB10.369 million for the corresponding period last year. During the Reporting Period, other income, gains and loss were mainly attributable to subsidies received from the local government of approximately RMB8.432 million and additional deductions of input tax on value-added tax of approximately RMB1.930 million. Other income, gains and losses for the same period last year were mainly attributable to the subsidy received from the local government, fair value gain of financial assets at FVTPL and the additional deduction of input tax on value-added tax.

Selling and marketing expenses

During the Reporting Period, selling and marketing expenses of the Group amounted to approximately RMB7.132 million, representing a decrease of approximately 26.67% from approximately RMB9.726 million for the corresponding period last year. The main reason for the decrease in selling and marketing expenses of the Group was due to the Group's business operations being affected by the outbreak and escalation of the COVID-19 pandemic, leading to the reduction of 17 full-time salespersons as compared with same period last year.

Administrative expenses

During the Reporting Period, the Group's administrative expenses was approximately RMB8.916 million, representing a decrease of approximately 36.39% from approximately RMB14.016 million in the same period last year. The main reason for the decrease in administrative expenses of the Group was due to the Group's business operations being affected by the outbreak and escalation of the COVID-19 pandemic, leading to the reduction of 17 full-time salespersons as compared with same period last year.

Finance costs

During the Reporting Period, finance costs of the Group amounted to approximately RMB11.872 million (same period last year: approximately RMB8.519 million), representing an increase of 39.36%, which was mainly due to the change in part of the loan structure in 2021 caused by the increase in individual financing costs.

Impairment losses under expected credit loss model, net of reversals

During the Reporting Period, the Group recorded an reversal of impairment loss on receivables of approximately RMB10.984 million (same period last year: impairment loss on receivables of approximately RMB14.031 million), representing a decrease of approximately RMB25.015 million as compared to the previous year. The Group's accounts receivable turnover rate increased slightly.

Income tax expense

For the Reporting Period, the Group's income tax expenses was approximately RMB3.839 million (same period last year: approximately RMB1.550 million), representing a year-on-year increase of approximately 147.68%, which was primarily due to the increase in taxable income for the year.

Profit for the year

The Group's profit for the Reporting Period as of 31 December 2021 was approximately RMB0.463 million (same period last year: approximately RMB2.826 million), representing a year-on-year decrease of approximately 83.62%. Save for the influences from the aforesaid factors, it can be attributed to the significant increase in the Group's costs of business.

Deferred tax assets

As at 31 December 2021, the deferred tax assets were approximately RMB3.542 million (31 December 2020: approximately RMB6.291 million).

Trade receivables, prepayments and other receivables

As at 31 December 2021, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB341.100 million (31 December 2020: approximately RMB343.142 million), representing a decrease of approximately 0.60% as compared to the previous year. The decrease in trade receivables was mainly due to: (i) seasonal fluctuations in customer demand for the Group's advertising services; and (ii) the Group postponed cooperation with certain customers of the Group's digital advertising services since the customers' need for a longer credit period will affect the Group's operating cash flow.

Contract assets

As at 31 December 2021, the Group's contract assets were approximately RMB23.472 million (31 December 2020: approximately RMB21.079 million).

Trade and other payables

As at 31 December 2021, trade and other payables of the Group amounted to approximately RMB39.007 million (31 December 2020: approximately RMB46.260 million), representing a year-on-year decrease of approximately 15.68%.

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 digital advertising services, the Group is generally required to pay within 60 days of calculating the actual number of exposures or hits per month. During the Reporting Period, revenue from digital advertising services has increased.

Tax payables

As at 31 December 2021, tax payables amounted to approximately RMB14.570 million (31 December 2020: approximately RMB15.140 million), representing a decrease of approximately 3.76% as compared with previous year. 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

The Group had not executed any agreement in respect of material investment or capital asset and did not have any other plans relating to material investment or capital asset as at 31 December 2021. Nonetheless, of any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Company and its shareholders (the "**Shareholders**") as a whole.

During the Reporting Period, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Liquidity and financial resources

As at 31 December 2021, bank balances and cash and short-term bank deposit balances amounted to approximately RMB34.865 million (31 December 2020: approximately RMB17.772 million) of which, approximately 99.62% was in RMB and the remaining 0.38% was in HKD and other currencies.

As at 31 December 2021, the Group's total assets was approximately RMB404.266 million, of which equity attributable to the owners of the Company was approximately RMB217.644 million, non-controlling equity was approximately RMB0.142 million.

Capital expenditure

During the Reporting Period, the Group did not have any other significant capital expenditure.

Contingent liabilities

During the Reporting Period, the Group did not have any other significant contingent liabilities.

Pledged assets

During the Reporting Period, the details of the bank loans pledged or guaranteed by the Group's assets are set out in Note 15 to the consolidated financial statements.

Gearing ratio

The Group's gearing ratio decreased from approximately 58.32% as at 31 December 2020 to approximately 53.40% as at 31 December 2021. The gearing ratio is calculated by dividing the sum of total bank and other borrowings and lease liabilities by total equity as at the end of the respective periods, and multiplied by 100%.

Foreign exchange risk

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

Interest rate risk

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

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

Industry and group outlook

Outlook

Looking forward to 2022, China's economic development is still facing uncertainties amid the unpredictable pandemic as well as the complex and ever-changing global macroeconomic environment. The above factors have put the advertising industry under enormous pressure and severe challenges. Nevertheless, we still have faith and expectation in the mid-to-long-term prosperity of China's economy. We believe that given the effective anti-pandemic measures, polices and initiatives in place, China's economy will continue to rebound. We expect there will be tremendous room for the advertising market to grow in 2022.

In light of the economic environment and the evolving development and operating pressure of the advertising industry, the Group will refine and optimize its business structure in 2022, expand integrated Internet variety show marketing as well as outdoor scene integrated communication business on the basis of the prevailing pandemic situation and the actual marketing demand of clients, with the aim to further strengthen our core competence in content marketing and integrated communications.

For TV advertising business, we will generally keep hold of our fundamental strengths in TV communication to retain existing quality clients and strengthen our effort in soliciting new clients, with the aim to boost the brand popularity of clients via the effective communication of TV advertisements.

For digital advertising and digital marketing business, we will strengthen our services in Internet advertisement and communication in response to the prevailing Internet media development trend and advertising demand of advertisers. Meanwhile, riding on the strengths and experience accumulated by the Company in TV content marketing and communications, we are able to enhance the communication service of Internet variety show content. Through integrated Internet and digital marketing, we are able to consistently raise our effort in providing Internet integrated service and provide clients with one-stop digital marketing solutions, helping clients to realize better outcome in placing online advertisements and improve their brand popularity.

For outdoor advertising business, we will devote more efforts in brand communication service in accordance with the actual communication demand of clients, providing multiple scenes as well as integrated scene communication solutions to clients. Meanwhile, we will continue to explore and keep ourselves abreast of new technologies, with the aim to make use of them to pursue new media advertising format, launch new form of advertising business to expand market coverage, add more advertising value to clients and seek new platform for profit growth.

Use of proceeds from the initial public offering

The shares of the Company were listed on the Stock Exchange on 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**").

Intended use of 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 31 December 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 31 December 2021**	**The unutilized amount of IPO Net Proceeds as at 31 December 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 digital 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	–	4.3	4.3	–	–
	78.8	78.8	65.3	13.5	–

The Company has fully utilised the IPO Net Proceeds as disclosed in the prospectus of the Company dated 31 October 2019 by the end of 2021.

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

Neither of the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Reporting Period.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no major subsequent events since the year end date and up to the date of this announcement.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (year ended 31 December 2020: Nil).

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive Directors, namely, Mr. Li Xue (the chairman), Mr. Wu Ke and Mr. How Sze Ming. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review of the Company's financial information, and oversight of the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this annual results announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2021 containing all information required by the Listing Rules will be dispatched to the Shareholders and will be available on the above websites in due course.

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

Beijing, the People's Republic of China, 30 March 2022

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