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 2022

The board (the "**Board**") of directors (the "**Directors**") of Ruicheng (China) Media Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2022 (the "**period under review**"), together with the comparative figures for the corresponding period in 2021 as follows:

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

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**223,405**	245,241
Cost of revenue		**(216,057)**	(218,150)
Gross profit		**7,348**	27,091
Other income, gains and losses	*4*	**1,964**	2,230
Selling and marketing expenses		**(2,321)**	(3,359)
Administrative expenses		**(4,154)**	(4,542)
Finance costs	*5*	**(2,462)**	(4,028)
Impairment losses of financial assets		**(4,462)**	(7,641)
(Loss) profit before tax		**(4,087)**	9,751
Income tax credit (expenses)	*6*	**654**	(4,087)
(Loss) profit and total comprehensive (expense) income for the period	*7*	**(3,433)**	5,664
(Loss) profit and total comprehensive (expense) income attributable to:			
– Owner of the Company		**(3,401)**	5,699
– Non-controlling interests		**(32)**	(35)
		(3,433)	5,664
(LOSS) EARNINGS PER SHARE			
– Basic and diluted (RMB)	*8*	**(0.01)**	0.01

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at	
		30 June	31 December
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property and equipment		**400**	429
Other intangible assets		**25**	27
Deferred tax assets		**4,288**	3,542
		4,713	3,998
Current assets			
Trade receivables, prepayments and other receivables	*10*	**558,998**	341,100
Amounts due from related parties		**831**	831
Contract assets	*11*	**23,130**	23,472
Bank balances and cash		**15,240**	34,865
		598,199	400,268
Total assets		**602,912**	404,266

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Capital and reserves			
Share capital	*14*	**3,578**	3,578
Reserves		**210,665**	214,066
Equity attributable to the owners of the Company		**214,243**	217,644
Non-controlling interests		**110**	142
Total equity		**214,353**	217,786
Current liabilities			
Trade and other payables	*12*	**218,055**	39,007
Tax payable		**12,732**	14,570
Contract liabilities		**37,574**	16,612
Bank and other borrowings	*13*	**120,198**	115,984
Lease liabilities		**–**	307
Total liabilities		**388,559**	186,480
Total equity and liabilities		**602,912**	404,266

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

These interim condensed consolidated financial statements are unaudited.

1.2 Basis of preparation

The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2022 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021.

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 2022 for the preparation of the Group's condensed consolidated financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

The application of the amendments to IFRSs in the current interim 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 contract with customers

Revenue of services nature

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Television ("TV") advertising services		
– Hard-sell TV advertising services *(Note)*	**67,287**	69,825
– Advertising solution packages involving soft-sell TV advertising services *(Note)*	**–**	521
	67,287	70,346
Online advertising services	**125,962**	90,991
Outdoor advertising services	**29,721**	75,246
Other advertising services	**435**	8,658
	223,405	245,241

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Advertisers	**8,488**	52,342
Advertising agents	**214,917**	192,899
	223,405	245,241

Revenue by categories of products or services being advertised

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Household furnishing & electronics	**124,301**	146,088
Tissue	**–**	28,434
Food and beverages	**69,383**	9,865
Telecommunications	**–**	14,647
Automobile	**6,608**	27,853
Others	**23,113**	18,354
	223,405	245,241

Timing of revenue recognition

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Over time	**223,405**	245,241

(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 2022, 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, noncurrent 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**8**	57
Government grants *(Note (i))*	**1,448**	1,599
Input tax additional deduction on value-added tax *(Note (ii))*	**515**	598
Gain on early termination of a lease *(Note (iii))*	**–**	149
Foreign exchange loss, net	**–**	(14)
Write-off of a property and equipment	**–**	(120)
Others	**(7)**	(39)
	1,964	2,230

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 January 2021 to 31 December 2022 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.

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	**2,457**	4,018
Interest expenses on lease liabilities	**5**	10
	2,462	4,028

6. INCOME TAX (CREDIT) EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current period	**92**	5,920
– Deferred tax	**(746)**	(1,833)
Income tax (credit) expenses	**(654)**	4,087

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

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	**29**	199
Amortisation of other intangible assets	**2**	3
Total depreciation and amortisation	**31**	202
Staff costs		
Salaries and allowances	**1,560**	3,913
Performance related bonuses *(Note)*	**–**	361
Retirement benefits contribution	**490**	773
Total staff costs	**2,050**	5,047
Auditor's remuneration	**120**	150
Cost of revenue recognised relating to short-term leases	**–**	27,759

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. (LOSS) EARNING PER SHARE

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

(Loss) earnings figures are calculated as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(3,401)**	5,699

Number of shares

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ('000)	**400,000**	400,000

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

Diluted (loss) earnings per share were the same as the basic (loss) earnings per share as there was no dilutive potential ordinary shares in existence during the six months ended 30 June 2022 and 2021.

9. DIVIDENDS

The board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: nil)

10. TRADE RECEIVABLES, PERPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables – contracts with customers	**331,979**	306,721
Less: allowance for expected credit losses	**(17,825)**	(13,109)
	314,154	293,612
Receivable from a supplier	**–**	4,238
Receivable from Investment A	**–**	750
Rental and other deposits	**2,034**	3,061
Others	**4,564**	3,654
	6,598	11,703
Less: allowance for credit losses	**(321)**	(575)
	6,277	11,128
Deductible value-added tax	**2,759**	4,293
Prepayments to suppliers	**235,808**	32,067
	558,998	341,100

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 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**159,435**	139,483
31 to 90 days	**4,119**	25,754
91 to 180 days	**24,000**	37,794
181 to 360 days	**52,088**	72,787
Over 360 days	**74,512**	17,794
Total	**314,154**	293,612

11. CONTRACT ASSETS

	As at	
	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Contract assets	**23,130**	23,472

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
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**206,606**	32,203
Staff cost payables	**3,919**	2,281
Other tax payables	**2,055**	1,118
Listing expenses payables	**756**	817
Interest payable	**704**	1,222
Accrued expenses	**4,015**	1,366
	218,055	39,007

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

	As at	
	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**136,466**	11,237
31 to 90 days	**–**	17,352
Over 90 days	**70,140**	3,614
Total	**206,606**	32,203

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	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans		
– unsecured *(Note i)*	**85,200**	61,000
Other borrowings		
– unsecured *(Note ii)*	**34,998**	54,984
	120,198	115,984

Notes:

(i) The bank loans were guaranteed by six (31 December 2021: six) third party guarantors, who charged the Group an upfront guarantee fees range from 1.30% to 2.08% (31 December 2021: from 1.30% to 2.08%) 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 2021: from 3.85% to 6.50%) per annum as at 30 June 2022.

(ii) As at 31 December 2021, the Group borrowed loan of RMB50,000,000 with a repayable term of two years of which RMB20,000,000 is repayable on 16 March 2022, and guaranteed by the controlling shareholder of the Company. The loan bears a fixed interest rate of 6.5% per annum.

As at 30 June 2022, the Group borrowed another loan of approximately RMB4,998,000 (31 December 2021: RMB4,985,000) from its shareholder with a repayable term of one year of unsecured and non-interest bearing.

14. SHARE CAPITAL

Shares	As at 30 June 2022 *HKD'000* (Unaudited)	31 December 2021 *HKD'000* (Audited)
Statutory:		
2,000,000,000 shares (31 December 2021: 2,000,000,000 Shares) ordinary shares of HK$0.01 each	**20,000**	20,000

	As at 30 June 2022 *HKD'000* (Unaudited)	31 December 2021 *HKD'000* (Audited)
Issued and fully paid		
400,000,000 shares (31 December 2021: 400,000,000 Shares) ordinary shares of HK$0.01 each	**4,000**	4,000

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview and Business Review

(I) Market overview

Since March 2022, another round of spread of pandemic has led to mounting downward pressure on the economy. According to data released by the National Bureau of Statistics, household consumption expenditure of the PRC in the first half of 2022 only grew by a mere 0.8% year-on-year (excluding the effects of price factors). Additionally, data from Kantar Worldpanel (part of CTR in China) shows that the overall fast consumable product market has seen very slow growth over the past few quarters. The slowdown in the growth of household consumption and sluggish demand of the advertising market have slowed down the recovery in advertising placements, and the pandemic in major cities has created a tremendous impact on advertiser sentiment and cooperation between companies.

Furthermore, CCTV Market Research CTR "Survey Report of 2022 China Advertisers' Marketing Trend", which is the 14th report released by CTR, also reveals that advertisers' confidence in the advertising market declined as compared to the same period of 2021 due to the complex domestic and international environment in 2022, including the resurgence of pandemic and changes in the industry, and so did their confidence in the overall economic situation in China, the development prospects of the industry, and the business operations of their companies. Advertisers' confidence in the market has a direct impact on their marketing budgets. According to CTR Media Intelligence, the advertising expenses in January-May 2022 decreased by 12.3% year-on-year, and the advertising expenses in the first half of 2022 decreased by 11.8% year-on-year. Among which, the monthly expenses showed positive growth month-on-month with increases of 9.5% in May and 6.9% in June despite a year-on-year decrease in advertising expenses in May and June, indicating that with the effective containment of the pandemic and the orderly progress of resumption of work and production, "stabilisation of the pandemic + recovery of consumption" will release the demand for advertising, and the advertising market will improve steadily month-on-month, narrowing the decrease year-on-year. Therefore, we expect the results of the Company to recover and improve in the second half of 2022.

(II) Business review

TV advertising services

Nowadays, there are various forms of media and the audience's contact with media is diversified and dispersed. However, the core position of TV media at the consumer audience level remains strong, and the value-creation capability of TV advertising is widely recognised by advertisers, with the authoritative media represented by TV media endorsing the brand and shaping the brand's main line of value. The Group provides professional and 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 pandemic-impacted market, we integrated our advantages, upgraded our TV advertising services into a more comprehensive and in-depth communications services, optimised our media resources portfolio to enhance our competitiveness and strived to provide more accurate and effective personalised advertising solutions to our customers.

During the period under review, the Group completed placements of TV advertisements for customers, including a well-known domestic brand beverage seller, a leading home appliances manufacturer in China (headquartered in Qingdao), a nationally renowned professional manufacturer of jelly pudding (headquartered in Shenzhen), a leading dairy company in the China (headquartered in Hohhot) and a well-known domestic sino-foreign joint venture automotive company (headquartered in Beijing), respectively, which gained recognition from various well-known customers. During the period under review, revenue from the television advertising services business amounted to approximately RMB67.286 million.

Online advertising services

In terms of online advertising and online marketing, the Group continued to increase its Internet advertising services in line with the current development of Internet media and the trend of increased Internet placements by advertisers in the wake of the pandemic. During the period under review, the Group provided a combination of Internet multi-video media advertising to a leading home appliances manufacturer in China (headquartered in Qingdao) and its premium international high-end household appliance brands, as well as its world's first scene brand, and has received high recognition and praise from their clients.

Meanwhile, riding on the strengths and experience accumulated by the Company in TV content marketing and communications, we have fully explored the needs of our customers in the field of Internet communication and strengthened the communication services of Internet variety content, integrating the successful experience of online advertising and traditional business, thus enhancing the professional ability of Internet content integration to provide clients with one-stop digital marketing solutions and help clients to realize better outcome in placing online advertisements and improve their brand popularity. During the period under review, there were a number of collaborations involving Internet variety shows, such as the collaboration between advertisers of a leading home appliances manufacturer in China (headquartered in Qingdao) and the tenth season of a famous outdoor competition reality show; and the collaboration between advertisers of a leading Chinese company in the canned food and beverage industry, headquartered in Xiamen, and the third season of a dating-reality show on a major online video platform. During the period under review, the revenue from online advertising services amounted to approximately RMB125.96 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 built with relevant suppliers, we provided our customers with a variety of scenes and integrated communication solutions for scenes.

During the period under review, the Group has successfully placed advertisements on buses and LEDs, etc. in cooperation areas for a leading home appliances manufacturer in China (headquartered in Qingdao), and for a well-known home appliance manufacturer in China(another manufacturer headquartered in Qingdao).

As a result of another round of pandemic that has led to the lockdown of cities in various places, outdoor advertising has been seriously affected, advertisers have took a more prudent attitude towards the outdoor advertising, resulting in a drop in budgets or postponement of outdoor advertising by our customers. At the same time, the Group's outdoor advertising revenue also dropped significantly in the first half of the year due to industry policies and strict regulations that prevented our educational cooperative customers from placing advertisements. During the period under review, revenue from outdoor advertising services was approximately RMB29.72 million.

Other advertising services

Building on the stable foundation formed by its original diversified media advertising services, the Group continues to explore new areas of resources and in-depth cooperation including the development and utilisation or resources for brand strategy design services, radio advertising, magazine advertising and newspaper advertising to meet customers' diversified advertising needs. During the period under review, the Group provided project communication services to a well-known brand of cooked water beverage seller.

The national economy was under downward pressure, the growth rate of the population's income had declined and the entire consumer market had been affected to a greater or lesser extent. As the resurgence of the pandemic has further aggravated the decline in market consumption demand, advertisers reduced their budgets for other diversified ancillary advertising or held off on other advertising, resulting in a larger decline in revenue from the Group's other advertising business. Revenue from other advertising services was approximately RMB0.43 million.

Financial Review

Revenue

During the period under review, the Group recorded revenue of approximately RMB223.4 million, representing a decrease of approximately 8.9% as compared to approximately RMB245.2 million for the corresponding period last year.

Revenue details for the period under review:

(I) During the period under review, revenue from TV advertising services was approximately RMB67.3 million, representing a decrease of approximately 4.4% from approximately RMB70.3 million for the corresponding period last year. The 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 approximately RMB126.0 million, representing an increase of approximately 38.4% from approximately RMB91.0 million for approximately 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 approximately RMB29.7 million, representing a decrease of 60.5% from approximately RMB75.2 million for the corresponding period last year. The significant decline in revenue from this business was mainly due to the significant decrease in outdoor advertising due to the pandemic.

(IV) During the period under review, revenue from other advertising services was approximately RMB0.4 million, representing a decrease of approximately 95.0% from approximately RMB8.7 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, loss and total comprehensive expense attributable to the owners of the Company amounted to approximately RMB3.4 million, while profit and total comprehensive income attributable to the owners of the Company for the corresponding period last year amounted to approximately RMB5.7 million.

Gross profit and gross profit margin

During the period under review, the Group recorded gross profit and gross profit margin of approximately RMB7.4 million and 3.3%, respectively. The Group's gross profit and gross profit margin for the corresponding period last year were approximately RMB27.1 million and 11.0%, respectively. The decrease was mainly due to a significant drop in outdoor advertising and other advertising placements due to the pandemic and increased costs for follow-up ancillary services for customers.

Other income, gains and losses

During the period under review, other income, gains and loss of the Group amounted to approximately RMB2.0 million, representing a decrease of approximately 11.9% from approximately RMB2.2 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 RMB2.3 million, representing a decrease of 30.9% from approximately RMB3.4 million for the corresponding period last year, which was mainly due to the impact of the pandemic in 2022, which resulted in reduction in outings of citizens, and therefore the outdoor media was not effective and had to be postponed or reduced. At the same time, our customers required more and better services from us, thus increasing the service costs of the Company.

Administrative expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB4.2 million, representing a decrease of approximately 8.5% from approximately RMB4.5 million for the corresponding period last year.

Finance costs

During the period under review, finance costs of the Group amounted to approximately RMB2.5 million, representing a decrease of approximately 38.9% from approximately RMB4.0 million for the corresponding period last year.

Impairment losses of financial assets

During the period under review, the Group's impairment losses of financial assets was approximately RMB4.5 million, representing a decrease of approximately 41.6% from approximately RMB7.6 million for the corresponding period last year, which was mainly due to the fact that the majority of the trade receivables are within six months during the period under review.

Income tax credit/(expenses)

During the period under review, the Group's income tax credit was approximately RMB0.7 million (income tax expenses for the six months ended 30 June 2021: approximately RMB4.1 million), which was mainly due to the decrease in taxable income and impairment losses of financial asset for the year.

(Loss)/profit and total comprehensive (expense)/income

As a result of the foregoing, during the period under review, the Group's loss and total comprehensive expense amounted to approximately RMB3.4 million (profit and total comprehensive income for the six months ended 30 June 2021: approximately RMB5.7 million).

Deferred tax assets

As at 30 June 2022, deferred tax assets amounted to approximately RMB4.3 million (as at 31 December 2021: approximately RMB3.5 million), representing an increase of approximately 21.1% as compared with deferred tax assets as at 31 December 2021, which was mainly due to a significant increase in impairment losses of financial assets.

Trade receivables, prepayments and other receivables

As at 30 June 2022, the Group's trade receivables, prepayments and other receivables amounted to approximately RMB559.0 million (as at 31 December 2021: approximately RMB341.1 million), representing an increase of approximately 63.9% as compared with trade receivables, prepayments and other receivables as at 31 December 2021. 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 2022, the Group's contract assets amounted to approximately RMB23.1 million (as at 31 December 2021: approximately RMB23.5 million), representing a decrease of approximately 1.5% as compared with contract assets as at 31 December 2021.

Trade and other payables

As at 30 June 2022, trade and other payables amounted to approximately RMB218.1 million (as at 31 December 2021: approximately RMB39.0 million), representing an increase of approximately 459.0% as compared with trade and other payables as at 31 December 2021.

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

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 2022, bank balances and cash was approximately RMB15.2 million (as at 31 December 2021: approximately RMB34.9 million), of which, approximately 99.85% was in RMB, the remaining approximately 0.15% was in HKD and USD, respectively.

Gearing ratio

The Group's gearing ratio increased from approximately 53.4% as at 31 December 2021 to approximately 64.5% as at 30 June 2022, which was primarily due to an increase in payables 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 security for borrowings.

Capital expenditures

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

Contingent liabilities

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

Foreign exchange risk

The Group's business activities and operations are mainly carried out in China where core transactions are conducted in RMB. The influence by exchange rate fluctuations on cash flow or liquidity of the Group's operating business is very limited, therefore, the Group currently 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 shares of the Company were listed on the Stock Exchange on 12 November 2019 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**").

The Company has fully utilised the IPO Net Proceeds by the end of 2021.

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 the Share Option Scheme. The remuneration package of executives Directors and senior management is referenced to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The performance related bonuses are calculated based on our employees' respective position, duration of services and performance of our employees. The Group assesses the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

The remuneration payable to our employees includes salaries and allowance, performance related bonuses and retirement benefits contributions. The salaries of our employees are generally determined by the employees' respective position, qualification, experience and performance. In order to attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

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

The independent non-executive Directors' remuneration relates to 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 2022, the Group employed a total of 33 full-time employees (as at 30 June 2021: 40 full-time employees). Compared with the total number of employees as at 30 June 2021, the number of employees decreased by 7. 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 RMB3.7 million (six months ended 30 June 2021: approximately RMB5.0 million), representing a decrease of approximately RMB1.3 million or approximately 27% 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 Group, which resulted in an increase in personal workload for existing staff to supplement the corresponding vacancies.

SUBSEQUENT EVENTS AFTER THE PERIOD UNDER REVIEW

On 11 August 2022, SHINEWING (HK) CPA Limited resigned as the auditor of the Group, and UniTax Prism (HK) CPA Limited was appointed as the Group's new auditor to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

Save as disclosed above, the Directors confirmed that subsequent to 30 June 2022 and up to the date of this announcement, there have not been any major events affecting the Group.

INDUSTRY AND THE GROUP'S OUTLOOK

From March to May 2022, the resurgence of the pandemic in Shanghai, Beijing and Shenzhen had a significant impact on the Group's operating activities. However, since June, with the improvement of pandemic prevention and control in China, the demand for advertising has continued to rebound and advertising placements has gradually resumed. Therefore, the Group's operating indicators are expected to recover and improve in an orderly manner in the second half of the year.

In the second half of 2022, against the backdrop of the pandemic and the economic environment, the Group will ensure the stable implementation of various cooperation with customers through sound operations and professional services, and will continue its previous planning with new adjustments in line with the pandemic and the actual needs of its customers. Specifically, the Group will continue to maintain its strengths in television communications, maintain its existing quality customers and strengthen the development of new customers by adhering to a customer-oriented product and service strategy, and enhance the brand influence of its customers through efficient communications in television advertising.

With the rapid development of online communication forms such as convergence media, short video, and live streaming, the scale of short video has grown rapidly by leveraging the development of new media. For this reason, advertisers prefer two levels of advertising: first, media with digital capabilities. Second, outdoor advertising in core living areas, commercial complexes, hotels and airports, which can effectively gather valuable people and reach consumers at high frequency. Therefore, in terms of digital advertising and digital marketing, the Group will continue to increase its Internet advertising services in line with the current trend of Internet media development and advertisers' demand for placement. Meanwhile, riding on the strengths and experience accumulated by the Group 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.

Furthermore, in the second half of 2022, the Group will continue to adjust and optimize its business structure in accordance with the current outdoor advertising needs of our customers and increase the brand communication services of our outdoor advertising business by leveraging on our high-quality outdoor advertising resources and good connections with relevant suppliers, so as to provide our clients with a variety of scenes and integrated communication solutions for scenes. At the same time, we will continue to explore and follow up on new technologies, make use of them to explore new forms of media advertising, provide new advertising value to our clients and explore new profit growth points.

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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE PROVISIONS CONTAINED IN PART 2 OF 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 Part 2 of Appendix 14 to the Listing Rules for the six months ended 30 June 2022.

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 2022.

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 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 2022 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 2022 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
Wang Xin
Chairlady and Executive Director

Beijing, the PRC, 30 August 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. Li Xue, Mr. Wu Ke and Mr. How Sze Ming.