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Rego Interactive Co., Ltd
(潤歌互動有限公司)

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2422)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors of Rego Interactive Co., Ltd is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows. The Annual Results have been reviewed by the audit committee of the Company.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Year-on-year
	2022	2021	Change
	RMB'000	RMB'000	%
Revenue	256,591	219,549	16.9
Gross profit	133,458	110,206	21.1
Profit before income tax	81,172	57,230	41.8
Profit for the year attributable to owners of the Company	68,503	49,985	37.0
Adjusted net profit <i>(Note)</i>	81,200	63,615	27.6

Note: Please refer to “Non-HKFRS Measures: Adjusted Net Profit” on Page 12 of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a marketing service provider based in the PRC. Since the commencement of our operation in traditional telecommunications marketing and promotion businesses in the PRC in 2015, we have strived to provide our customers with marketing services that are comprehensive and tailored to their corporate needs. Over the years, we have endeavoured to expand our capacities in providing marketing services in accordance with the prevailing market trends and developments. We offer (i) promotion and advertising services, including (a) traditional marketing and promotion services; (b) advertisement placement services; and (c) advertisement distribution services; and (ii) virtual goods sourcing and delivery services. In addition, with business diversification, enhanced market penetration and potential synergies from possible further business collaboration in mind, we also provide IT solutions services (including mobile game and software development and maintenance services and solutions on lottery related software systems and equipment) in an effort to enhance the quality and variety of our product and service offerings. We have achieved our business diversification by means of constant upgrades to our business through both organic growth and acquisitions, as a result of which there has been a corresponding increase in our customer base and the variety of the forms and channels in which our marketing services have been delivered.

During the first half of 2022, there had been large-scale outbreaks of COVID-19, including the highly transmissible Omicron variant, in various provinces across the PRC (the “**Resurgence**”). In response to the Resurgence, local governments in PRC have imposed various restrictions on business and social activities, including lockdowns, stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions. During the first quarter in 2022, both the number of enterprises which engaged in online advertising and their spending thereon had recorded a decline as compared to the fourth quarter in 2021.

Despite the Resurgence, our revenue has not been negatively affected. We recorded an increase of approximately 16.9% in our overall revenue for the year ended 31 December 2022 as compared to the year ended 31 December 2021. Such increase was mainly attributable to the increase in revenue from our advertisement placement and advertisement distribution services as well as our virtual goods sourcing and delivery services.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the year ended 31 December 2022, we generated our revenue from the provision of marketing and promotion services and IT solutions services. The following table sets forth the breakdown of our revenue by business segments and sub-segments for the years indicated:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Marketing and promotion services				
Promotion and advertising services				
– Traditional marketing and promotion services	8,967	3.5	4,724	2.2
– Advertisement placement services	14,091	5.5	6,234	2.8
– Advertisement distribution services	133,711	52.1	107,921	49.2
Virtual goods sourcing and delivery services	54,777	21.3	44,629	20.3
Sub-total	211,546	82.4	163,508	74.5
IT solutions services				
Mobile game and software development and maintenance services				
	12,861	5.0	11,275	5.1
Solutions on lottery related software systems and equipment	32,111	12.5	44,378	20.2
Sub-total	44,972	17.5	55,653	25.3
Others (Note)	73	0.1	388	0.2
Total	256,591	100.0	219,549	100.0

Note: Others include commission generated from the sale of lottery tickets through our offline shops.

1. Revenue from Marketing and Promotion Services

The following table sets forth our revenue from marketing and promotion services for the years indicated:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Promotion and advertising services	156,769	74.1	118,879	72.7
Virtual goods sourcing and delivery services	54,777	25.9	44,629	27.3
Total	211,546	100.0	163,508	100.0

We normally enter into annual framework agreements with our customers and charge them for our traditional marketing and promotion services based primarily on a mix of CPA (i.e. cost per action, such as download, installation or registration by end users), CPS (i.e. cost per sales); for advertisement distribution service, media publishers or their agents primarily pay to us service fees determined with reference to a mix of performance parameters of the advertisement distribution services, including but not limited to, impressions, clicks, CTR and/or CPM (i.e. combined performance parameters). For the advertisement placement services, we received top-up amounts from our customers (net of rebates, if any) and the amounts paid by us to the media publishers (or their channel agents) (net of rebates, if any) for topping-up of our customers' accounts maintained on the platforms operated by the media publishers. Our suppliers, being the media publishers or their agents, may also grant us rebates on a quarterly and/or annual basis which are recorded as our revenue.

Our revenue from marketing and promotion services increased rapidly by 29.4%, from approximately RMB163.5 million for the year ended 31 December 2021 to approximately RMB211.5 million for the year ended 31 December 2022. For the year ended 31 December 2022, the revenue generated from our marketing and promotion services accounted for 82.4% of our total revenue.

Revenue from marketing and promotion services by type of marketing channels

We provide our marketing and promotion services to our customers through an integration of online and offline marketing channels. Leveraging on our technical capability, we have also been shifting our focus from offline marketing to online marketing in order to cater for the changing market demands. The table below sets forth a breakdown of revenue generated from our marketing and promotion services by type of marketing channels for the years indicated:

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Online	208,896	98.7	159,250	97.4
Offline	2,650	1.3	4,258	2.6
	<u>211,546</u>	<u>100.0</u>	<u>163,508</u>	<u>100.0</u>

Our revenue attributable to online marketing services amounted to RMB159.3 million and RMB208.9 million, representing 97.4% and 98.7% of our total revenue from marketing and promotion services for the years ended 31 December 2021 and 2022, respectively. We consider that the expansion of our online marketing services was and will continue to be one of the major factors for the business growth of our marketing and promotion services.

Revenue from marketing and promotion services by type of customers

Customers of our marketing and promotion services include (i) enterprises that have demand for marketing and promotion services for their business; and (ii) advertising agents of the enterprises. The table below sets forth a breakdown of revenue generated from our marketing and promotion services by type of customers for the years indicated:

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Advertising agents	173,305	81.9	129,018	78.9
Enterprises	38,241	18.1	34,490	21.1
	<u>211,546</u>	<u>100.0</u>	<u>163,508</u>	<u>100.0</u>

Revenue from marketing and promotion services – Advertisement placement services

Our revenue from advertisement placement services amounted to RMB14.1 million and RMB6.2 million for the years ended 31 December 2022 and 2021, respectively, representing 6.7% and 3.8% of our revenue from marketing and promotion services. In FY2022 and FY2021, the number of our customers of the advertisement placement services amounted to 180 and 159, respectively. The increase in the revenue from advertisement placement services was mainly attributable to: (i) our cooperation with the good reputation customers allow us to provide the top-up services with a larger-scale of top-up amounts; and (ii) the improvement of cost input efficiency on the manpower to cater for the launch of advertisement placement services had been stabilised during FY2022 and FY2021.

Revenue from marketing and promotion services – Advertisement distribution services

Our revenue from advertisement distribution services amounted to RMB133.7 million and RMB107.9 million for the years ended 31 December 2022 and 2021, respectively, representing 63.2% and 66.0% of our revenue from marketing and promotion services. In FY2022 and FY2021, the number of our customers of the advertisement distribution services amounted to 16 and 9, respectively. The increase in the revenue from advertisement distribution services was mainly attributable to: (i) our cooperation with more customers at a larger scale for advertisement distribution services; and (ii) we have increased the suppliers with mobile app operators to cater the attractiveness for more customers. The following table set forth the breakdown of our revenue from advertisement distribution services in the years ended 31 December 2022 and 2021 by the types of the mobile app connected to our Rego SDK:

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Financial services	113,767	85.1	105,020	97.3
Utility and lifestyle	10,492	7.8	1,887	1.7
E-commerce platform	5,435	4.1	711	0.7
Others	4,017	3.0	303	0.3
	<u>133,711</u>	<u>100.0</u>	<u>107,921</u>	<u>100.0</u>

Revenue from marketing and promotion services – Virtual goods sourcing and delivery services

We generated revenue of RMB54.8 million and RMB44.6 million, respectively, from our virtual goods sourcing and delivery services, representing approximately 25.9% and 27.3% of our revenue from marketing and promotion services for the years ended 31 December 2022 and 2021. The growth in the revenue generated from our virtual goods sourcing and delivery services during FY2021 and FY2022 was mainly driving by (i) offering a wide spectrum of virtual goods to our customers; and (ii) offering higher profit margin on the virtual goods. The table below sets forth a breakdown of revenue generated from our virtual goods sourcing and delivery services by type of virtual goods for FY2022 and FY2021:

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Top-up for telecommunication services	19,555	35.7	18,128	40.6
Online vouchers and interests (Note 1)	24,584	44.9	17,721	39.7
Gift cards of gas stations	10,636	19.4	8,760	19.6
Others	2	0.0	20	0.1
Total	<u>54,777</u>	<u>100.0</u>	<u>44,629</u>	<u>100.0</u>

Note:

1. We offer a wide spectrum of online vouchers and interests including but not limited to memberships of online entertainment platforms, gift cards of e-marketplaces, coffee vouchers, membership of online healthcare and medical services and packages combining various types of online vouchers and interests.

The following table illustrates the reconciliation of the Gross Merchandise Value (“GMV”) and our revenue recorded under our virtual goods sourcing and delivery services during the year indicated:

	For the year ended	
	31 December	
	2022	2021
	RMB'000	RMB'000
GMV	1,155,506	808,005
Less: purchase costs of the virtual goods	(1,100,729)	(763,376)
Revenue	<u>54,777</u>	<u>44,629</u>

The total GMV of the virtual goods offered by us under our virtual goods sourcing and delivery services amounted to RMB1,155.5 million and RMB808.0 million for the year ended 31 December 2022 and 2021, respectively. The increase in the total GMV of the virtual goods offered by us was primarily due to the increase in our product offerings. The number of virtual goods available on our Rego Virtual Goods Platform increased from 60 in FY2021 to over 100 in FY2022.

2. Revenue from our IT Solution Services

We primarily offer IT solution services in relation to (i) mobile game and software development and maintenance services; and (ii) solutions on lottery related software systems and equipment, on a project-by-project basis, in support of the business strategy for our marketing and promotion services, i.e. to facilitate our penetration of targeted marketing segments through technical supports and for diversification of our business.

Our revenue from IT solutions services amounted to RMB45.0 million and RMB55.7 million for FY2022 and FY2021, respectively. Such decrease by 19.2% from approximately RMB55.7 million for the year ended 31 December 2021 to approximately RMB45.0 million for the year ended 31 December 2022 was primarily attributable to delay on the delivery and installation of the software systems and/or equipment near the year ended 31 December 2022 due to the COVID-19 Pandemic.

Our total revenue increased by RMB37.0 million, or 16.9%, from RMB219.5 million for the year ended 31 December 2021 to RMB256.6 million for the year ended 31 December 2022, which primarily reflected an increase of RMB48.0 million in revenue from marketing and promotions services segment and net off with the decrease of RMB10.7 million in revenue from IT solutions services. The increment of revenue mainly attributable to: (i) the endeavour on the capacities of the Group in providing marketing services in accordance with the prevailing market trends and developments. In 2021, the Group had introduced the advertisement placement services, which also led to the increase of revenue and profit margin in 2022; (ii) our cooperation with more customers at a larger scale for advertisement distribution services; and (iii) the in-depth partnerships with customers of the Group, leading to a continuous increase in its revenue, especially for the contribution of higher profit margin and growth in virtual goods sourcing and delivery services.

Cost of Sales

Our cost of sales primarily consists of (i) traffic acquisition cost; (ii) cost of goods sold; and (iii) employee benefit expenses.

Our total cost of sales increased by RMB13.8 million, or 12.6%, from RMB109.3 million for the year ended 31 December 2021 to RMB123.1 million for the year ended 31 December 2022, which was primarily attributable to the increment on the traffic acquisition costs of RMB29.8 million, or 39.3%, from RMB75.9 million for the year ended 31 December 2021 to RMB105.7 million for the year ended 31 December 2022, which primarily aligned with the increase of the revenue on advertisement distribution services. The traffic acquisition costs representing approximately 85.8% and 69.4% of our cost of sales for FY2022 and FY2021 which constituted the largest portion of the cost of sales.

Gross Profit and Gross Profit Margin

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of approximately RMB133.5 million for the year ended 31 December 2022, representing an increase of approximately 21.1% as compared to approximately RMB110.2 million for the year ended 31 December 2021, which was mainly attributable to the rapid growth in our revenue.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Our gross profit margin increased from 50.2% for the year ended 31 December 2021 to 52.0% for the year ended 31 December 2022, which was mainly attributable to (i) the increment on the gross profit margin of our advertisement placement services from 55.3% for the year ended 31 December 2021 to 75.1% for the year ended 31 December 2022 was mainly attributable to the margin of the relevant transactions calculated as a percentage of the total top-up amounts received from our customers during FY2022 and FY2021 was 2.4% and 1.3%. Also, the improvement of cost input efficiency on the manpower to cater for the launch of advertisement placement services had been stabilised; (ii) the gross profit margin of our IT solution services increased from 49.7% for the year ended 31 December 2021 to 64.5% for the year ended 31 December 2022, which was mainly due to we were engaged in a project related to the development of a supervision platform for a province of the China Welfare Lottery Issuance and Administration Centre during FY2022 which had a relatively higher profit margin; and (iii) net off effect on the decrease in the gross profit margin of our traditional marketing and promotion services from 63.2% for the year ended 31 December 2021 to 24.6% for the year ended 31 December 2022 was mainly attributable to an offline marketing project in connection with the promotion of a leading online audio broadcasting platform in the PRC with a relatively higher gross profit margin conducted during the January 2021.

Other Income and Other Gains or Losses

Our other income and other gains or losses primarily consist of (i) bank interest income; (ii) government grants; (iii) gain on disposal of financial assets acquired through business combination; (iv) others; and (v) foreign exchange differences.

Our other income increased by approximately RMB6.2 million, or 83.5%, from approximately RMB7.4 million for the year ended 31 December 2021 to approximately RMB13.5 million for the year ended 31 December 2022. Such changes was primarily due to the increase on the government grants by approximately RMB6.6 million, or 165.4%, which related to subsidies and/or rewards in support of high-tech enterprises and research and development which were given on a one-off basis. In addition to government grant, the Group had been listed on HKEx during the FY2022, therefore, there were an one-off subsidy of RMB5.0 million for successful listing from local government authorities. For the year ended 31 December 2022, there were the loss of RMB1.7 million from the translation of listing proceeds resulting from the declines of RMB against HKD exchanges rates.

Selling and Distribution Expenses

Our selling and distribution expenses primarily comprise of (i) employee benefit expenses, which mainly include salaries, bonuses and other benefits for our sales and marketing personnel; (ii) travel and entertainment expenses; (iii) advertising and promotion expenses; (iv) rentals, depreciation and impairment of right-of-use assets; (v) service fees mainly in relation to technical support, software development and installation of equipment for our solutions on lottery related software system and equipment; and (vi) others.

Our selling and distribution expenses decreased by approximately RMB1.6 million, or 16.8%, from approximately RMB9.6 million for the year ended 31 December 2021 to approximately RMB8.0 million for the year ended 31 December 2022. Such decrease was primarily due to the decrease in travel and entertainment expenses in line with our delay on the project of solutions on lottery related software systems and equipment due to the COVID-19 Pandemic.

Administrative Expenses

Our administrative expenses primarily consist of: (i) employee benefit expenses, which mainly include salaries, bonuses and other benefits for our administrative personnel; (ii) travel and entertainment expenses; (iii) professional fees; (iv) general office expenses; and (v) others.

Our administrative expenses increased by approximately RMB4.7 million, or 34.0%, from approximately RMB13.9 million for the year ended 31 December 2021 to approximately RMB18.6 million for the year ended 31 December 2022. Such increase was primarily due to the increase in intermediary service fees of RMB1.6 million in relation to, among others, the listing of the Company, and the increase of RMB1.0 million resulting from the professional fees with further business expansion.

Research and Development Expenses

Our research and development expenses primarily consist of: (i) employee benefit expenses, which primarily comprise the salaries, bonuses and other benefits of our research and development staff; (ii) technical service and copyright fees, which mainly represent expenses for R&D projects outsourced to a university and other external institutions and acquisition cost for copyrights; and (iii) depreciation of property, plant and equipment.

Our research and development expenses increased by approximately RMB0.3 million, or 1.4%, from approximately RMB18.6 million for the year ended 31 December 2021 to approximately RMB18.9 million for the year ended 31 December 2022.

Finance Costs

Our finance costs primarily consist of: (i) interest expenses on bank borrowings and (ii) interest expenses on lease liabilities.

Our finance costs increased by approximately RMB1.0 million, or 143.0%, from approximately RMB0.7 million for the year ended 31 December 2021 to approximately RMB1.6 million for the year ended 31 December 2022. Such increase was primarily due to the increase of approximately RMB1.0 million in the interest expenses of our bank borrowings resulting from the increase in bank borrowings in line with business expansion.

Income Tax Expense

Our income tax expenses increased by approximately RMB5.4 million, or 74.9%, from approximately RMB7.2 million for the year ended 31 December 2021 to approximately RMB12.7 million for the year ended 31 December 2022. Our effective income tax rate increased from 12.7% for the year ended 31 December 2021 to 15.6% for the year ended 31 December 2022, which was because the tax effect of expense non-deductible for tax purpose on the provision for impairment losses on financial assets was increased compare with FY2021.

Profit for the Year

Our profit for the year increased by approximately RMB18.5 million, or 37.0%, from approximately RMB50.0 million for the year ended 31 December 2021 to approximately RMB68.5 million for the year ended 31 December 2022.

Non-HKFRS Measure: Adjusted Net Profit

To supplement our consolidated financial statements, which are presented in accordance with the HKFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, the HKFRS. We believe that such non-HKFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of items which our management considers to be non-indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRS.

The following table reconcile our adjusted net profit for the years presented to the most directly comparable financial measures calculated and presented in accordance with HKFRS:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company	68,503	49,985
Add:		
Listing expenses	10,988	13,630
Foreign exchange differences	1,709	–
Non-HKFRS Measure		
Adjusted net profit	81,200	63,615

Employees and Remuneration Policies

As of 31 December 2022, we had 181 full-time employees, the majority of whom were based in Hangzhou, China and Xi'an, China.

The remuneration of our employees is determined based on their performance, experience, competence and market comparable. We provide our employees with competitive salaries and bonuses determined by performance, housing subsidies, regular team building activities and internal opportunities of career advancement. Our Group adopts an appraisal system for our employees, where their respective supervisor and our president's office conduct monthly or quarterly performance review depending on their rank and determines the amount of bonus to be awarded accordingly.

Our Group's total staff costs (including Directors' emolument, salaries, bonus, social insurance and provident funds) amounted to approximately RMB39.9 million for the year ended 31 December 2022 (For the year ended 31 December 2021: approximately RMB33.3 million). As required by the PRC laws and regulations, we have made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, maternity leave insurance and occupational injury.

The remuneration of Directors and members of senior management is determined on the basis of each individual's responsibilities, qualification, position, experience, performance and time commitment. They receive compensation in the form of salaries, allowances, discretionary bonuses and contributions to defined contribution retirement plan.

The Company has adopted a share option scheme on 27 July 2022 as incentives or rewards to eligible persons for their contributions to the Group. The purpose of the Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme. During the Year, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

Contingent Liabilities and Indebtedness

As at 31 December 2022, the Group had the interest-bearing borrowings of RMB38.0 million which consists RMB8.0 million was unsecured and guaranteed and HK\$30.0 million was unsecured and unguaranteed (As at 31 December 2021: RMB21.1 million which consists RMB13.0 million was unsecured and guaranteed and RMB8.1 million was unsecured and unguaranteed). The maturity profile of the interest-bearing bank borrowings as at 31 December 2022 and 2021 were repayable within one-year or on demand. In addition, as at 31 December 2022, the Group had lease liabilities of RMB351,000 (As at 31 December 2021: nil).

Save as the above, the Group did not have any material contingent liabilities as at 31 December 2022 (As at 31 December 2021: nil).

Liquidity, Financial and Capital Resources

During the Year, the Group continued to maintain a healthy and solid liquidity position by adopting a prudent financial management approach on its financing and treasury policies and we have funded our cash requirements principally from cash generated from our operating activities. As of 31 December 2022, cash and cash equivalents increased by RMB125.3 million from RMB61.5 million as of 31 December 2021 to RMB186.8 million. The significantly increase was primarily resulted from the proceeds from the successful initial public offering of the Company. As at 31 December 2022, the Group's cash and cash equivalents were mainly held in RMB and HKD.

We currently do not use any financial instruments for hedging purposes.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associate, and Joint Venture

On 26 December 2022, with an aim to further develop our Group's business layout in the lottery sector in China, our Group, through Xi'an Tiantai Innovation Technology Company Limited (西安天泰創新科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into an investment agreement with Caipingfang Technology Co., Ltd. (彩平方科技有限公司). Our Directors consider that the investment in Caipingfang will strengthen the synergy of our Group's various business segments and promote our Group's business development in the lottery sector. For further details, please refer to the announcement of the Company dated 28 December 2022.

In December 2022, our Group expanded its virtual goods sourcing and delivery service platform by carrying out independent research and development of "Caituan Youxuan" (彩團優選) Platform. Our Directors consider that Caituan Youxuan Platform will diversify our Group's virtual goods sourcing and delivery service business in the lottery sector and effectively promote our Group's business development. For further details, please refer to the announcement of the Company dated 21 December 2022.

Save as disclosed above, there were no significant investments held by the Company nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Capital Commitments

There are no significant capital commitments outstanding provided for as at 31 December 2022 (as at 31 December 2021: nil).

Charge on the Group's Assets

As at 31 December 2022, none of the Group's assets were charged with any parties or financial institutions (as at 31 December 2021: nil).

Future Plan for Material Investment and Capital Assets

Save as disclosed in the Prospectus and in the sections headed "Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associate, and Joint Venture" and "Use of Proceeds" in this announcement, there was no other plans for material investments and capital assets as at the date of this announcement.

Top Customers

Our top five customers accounted for 66.7% and 71.5% of our revenue for the years ended 31 December 2022 and 2021, respectively. Our largest customer accounted for 42.1% and 41.8% of our revenue for the years ended 31 December 2022 and 2021, respectively.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who owns more than 5% of our issued share capital or of our subsidiary, had any interest in any of our top five customers during the Year.

Top Suppliers

Our top five suppliers accounted for 77.4% and 74.2% of our total costs of sales for the years ended 31 December 2022 and 2021, respectively. Our largest supplier accounted for 61.4% and 62.6% of our total costs of sales for the years ended 31 December 2022 and 2021, respectively.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who owns more than 5% of our issued share capital or of our subsidiary, had any interest in any of our top five suppliers during the Year.

Key Financial Ratio

The following table sets forth certain financial ratio as of the balance sheet dates indicated:

	As of 31 December 2022	As of 31 December 2021
Profitability ratios		
Gross profit margin ⁽¹⁾	52.0	50.2
Net profit margin ⁽²⁾	26.7	22.8
Adjusted net profit margin under HKFRS measures ⁽³⁾	31.6	29.0
Return on equity ⁽⁴⁾	23.0	47.2
Return on total assets ⁽⁵⁾	17.1	21.3
Liquidity ratios		
Current ratio ⁽⁶⁾	3.7 times	1.6 times
Quick ratio ⁽⁷⁾	3.7 times	1.5 times
Capital adequacy ratios		
Gearing ratio ⁽⁸⁾	12.9%	46.1%
Debt-to-equity ratio ⁽⁹⁾	N/A	N/A

Notes:

- (1) The calculation of gross profit margin is based on gross profit for the year divided by revenue and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the year divided by revenue and multiplied by 100%.
- (3) Calculated based on the adjusted net profit under non-HKFRS measures and calculated by excluding the effect of listing expenses.
- (4) The calculation of return on equity is based on profit for the year divided by ending balance of total equity and multiplied by 100%.
- (5) The calculation of return on total assets is based on profit for the year divided by ending balance of total assets and multiplied by 100%.
- (6) Current ratio is calculated as current assets divided by current liabilities as at the relevant financial year end.
- (7) Quick ratio is calculated as current assets less inventories divided by current liabilities as at the relevant financial year end.
- (8) Gearing ratio is calculated as total debt divided by total equity and multiplied by 100% as at the relevant financial year end. Total debts refer to all interest-bearing bank loans, amounts due to related parties and lease liabilities of our Group as at the end of the respective year.
- (9) Debt to equity ratio is calculated as net debt (representing total debt minus cash and cash equivalent as at the relevant year end) divided by the total equity as at the end of the respective year and multiplied by 100%. As our cash and cash equivalent is higher than our total debts as at 31 December 2021 and 2022, the debt to equity ratio is not applicable to such periods.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that sufficient financial resources are available in order to meet its funding requirements and commitment timely.

Foreign exchange exposure

Foreign exchange risk refers to the risk of loss caused by the changes in foreign exchange rates. The operations of the Group are mainly located in the PRC with most transactions denominated and settled in Renminbi.

During the year ended 31 December 2022, no financial instrument was used for hedging purposes, and we did not commit to any financial instruments to hedge our exposure to foreign exchange risk, as the expected foreign exchange risk is not significant. The Directors and senior management of the Company will continue to closely monitor the foreign exchange exposure and take measures when necessary to ensure that the foreign exchange risk is within the controllable range.

Capital structure

The shares of the Company were listed on Main Board of the Stock Exchange on the Listing Date. There has been no major change in the capital structure of the Company since then.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	5	256,591	219,549
Cost of sales		<u>(123,133)</u>	<u>(109,343)</u>
Gross profit		133,458	110,206
Other income and other gains or losses	6	13,527	7,373
Provision for impairment losses on financial assets		(7,739)	(3,973)
Selling and distribution expenses		(7,950)	(9,561)
Administrative expenses		(18,623)	(13,900)
Research and development expenses		(18,875)	(18,611)
Listing expenses		(10,988)	(13,630)
Finance costs		<u>(1,638)</u>	<u>(674)</u>
Profit before income tax		81,172	57,230
Income tax expense	7	<u>(12,669)</u>	<u>(7,245)</u>
Profit for the year		<u>68,503</u>	<u>49,985</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences arising from translation		<u>3,433</u>	<u>41</u>
Total comprehensive income for the year		<u>71,936</u>	<u>50,026</u>
Profit for the year attributable to:			
– Owners of the Company		68,503	49,985
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>68,503</u>	<u>49,985</u>

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Total comprehensive income for the year attributable to:			
– Owners of the Company		71,936	50,026
– Non-controlling interests		–	–
		<u>71,936</u>	<u>50,026</u>
Earnings per share for the profit attributable to owners of the Company during the year <i>(expressed in RMB per share)</i>			
– Basic and diluted	9	<u>0.08</u>	<u>0.07</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		17,589	19,376
Property, plant and equipment		647	1,188
Right-of-use assets		325	–
Goodwill		14,342	14,342
Prepayment		2,696	–
		<u>35,599</u>	<u>34,906</u>
Current assets			
Inventories		2,424	3,363
Contract assets		2,202	3,021
Trade receivables	10	98,111	82,189
Prepayments, deposits and other receivables		74,515	50,009
Amounts due from related parties		–	96
Cash and cash equivalents		186,849	61,475
		<u>364,101</u>	<u>200,153</u>
Total assets		<u>399,700</u>	<u>235,059</u>
Current liabilities			
Trade payables	11	15,716	40,525
Contract liabilities		7,578	3,377
Other payables and accruals		22,611	27,895
Amounts due to related parties		–	27,677
Bank borrowings		38,000	21,100
Lease liabilities		187	–
Income tax payable		13,384	8,123
		<u>97,476</u>	<u>128,697</u>
Net current assets		<u>266,625</u>	<u>71,456</u>
Total assets less current liabilities		<u>302,224</u>	<u>106,362</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities			
Contract liabilities		4,271	47
Lease liabilities		164	–
Deferred tax liabilities		328	412
		<u>4,763</u>	<u>459</u>
Total liabilities		<u>102,239</u>	<u>129,156</u>
NET ASSETS		<u>297,461</u>	<u>105,903</u>
EQUITY			
Share capital		6,790	1
Reserves		290,671	105,902
		<u>297,461</u>	<u>105,903</u>
Equity attributable to owners of the Company		297,461	105,903
Non-controlling interests		<u>–</u>	<u>–</u>
TOTAL EQUITY		<u>297,461</u>	<u>105,903</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. GENERAL INFORMATION

Rego Interactive Co., Ltd (the “**Company**”) was incorporated in the Cayman Islands, as an exempted company with limited liability under the Cayman Companies Act on 8 August 2017. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries now comprising the Group (collectively referred to as the “**Group**”) were engaged in the following businesses in the People’s Republic of China (“**PRC**”).

- Marketing and promotion services
- IT solutions services
- Others

In the opinion of the directors of the Company, the immediate holding companies of the Company are Tanshin Investments Limited (“**Tanshin Investments**”), Vicen Investments Limited (“**Vicen Investments**”) and Sprus Investments Limited (“**Sprus Investments**”) which are incorporated in the British Virgin Islands. The ultimate shareholders of the Company are Mr. Tian Huan (“**Mr. Tian**”), Mr. Chen Ping (“**Mr. Chen**”) and Mr. Zhang Yongli (“**Mr. Zhang**”) who have entered into acting-in-concert agreement on 22 October 2021 and confirmed they have been acting in concert since 14 July 2017. Accordingly, Mr. Tian, Mr. Chen, Mr. Zhang, Tanshin Investments, Vicen Investments and Sprus Investments collectively referred to as the “Controlling Shareholders”.

Pursuant to a group reorganisation (the “**Reorganisation**”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed “History, Development and Reorganisation” to the prospectus of the Company dated 30 September 2022.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2021 include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence for the year ended 31 December 2021, or since their respective dates of acquisition/incorporation/establishment/when the combining entity first came under the control of the Controlling Shareholders or up to 17 August 2021 (date of loss of control over Zhejiang Runye), whichever is the shorter period.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new/revised HKFRSs – effective 1 January 2022

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting year of the Group:

Amendments to HKAS 16	Property, plant and equipment: Proceed before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle

None of these amended HKFRS has a material impact on the Group’s results and financial position for the current or prior years.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022) ²
Amendments to HKAS 1	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17 and Amendments to HKFRS 17 (including the October 2020 and February 2022)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company is Hong Kong dollar (“**HKD**”). The Group’s primary subsidiaries are incorporated in the PRC and these subsidiaries consider RMB as their functional currency. As the major operations of the Group are within Mainland China, the Group determined to present its consolidated financial statements in RMB. All values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment has been identified as executive directors of the Company.

The Group is principally engaged on the provision of marketing and promotion services and IT solutions services in the PRC. The CODM of the Company review the operating results separately, which the Group has the following 3 reporting segments: (i) Marketing and promotion services; (ii) IT solutions services; and (iii) Others.

The CODM assesses the performance of the operating segments based on the segment profit. The reconciliation of segment profit to profit before income tax is shown in the consolidated statements of profit or loss and comprehensive income. There were no separate segment assets and segment liabilities information provide to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

	Marketing and promotion service <i>RMB'000</i>	IT solutions services <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated Total <i>RMB'000</i>
For the year ended 31 December 2022				
Revenue	211,546	44,972	73	256,591
Cost of sales	(107,149)	(15,984)	–	(123,133)
Segment profit	<u>104,397</u>	<u>28,988</u>	<u>73</u>	<u>133,458</u>
For the year ended 31 December 2021				
Revenue	163,508	55,653	388	219,549
Cost of sales	(81,342)	(28,001)	–	(109,343)
Segment profit	<u>82,166</u>	<u>27,652</u>	<u>388</u>	<u>110,206</u>

Revenue from external customers

All significant external customers of the Group are located in Mainland China. Accordingly, no geographical information of external customers is presented.

Non-current assets

All significant non-current assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer "A" from marketing and promotion services	107,962	91,741
Customer "B" from marketing and promotion services	<u>26,437</u>	<u>25,467</u>

5. REVENUE

The amounts of each significant category of revenue recognised during the year are as follows:

	Marketing and promotion service <i>RMB'000</i>	IT solutions services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2022				
Timing of revenue recognition:				
At a point in time	211,546	35,649	73	247,268
Transferred over time	–	9,323	–	9,323
	<u>211,546</u>	<u>44,972</u>	<u>73</u>	<u>256,591</u>
Total revenue from contracts with customers	<u>211,546</u>	<u>44,972</u>	<u>73</u>	<u>256,591</u>
For the year ended 31 December 2021				
Timing of revenue recognition:				
At a point in time	163,508	37,666	388	201,562
Transferred over time	–	17,987	–	17,987
	<u>163,508</u>	<u>55,653</u>	<u>388</u>	<u>219,549</u>
Total revenue from contracts with customers	<u>163,508</u>	<u>55,653</u>	<u>388</u>	<u>219,549</u>

6. OTHER INCOME AND GAINS OR LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	308	249
Government grants (<i>Note</i>)	10,609	3,997
Gain on disposal of financial assets acquired through business combination	–	910
Exchange loss	(1,709)	–
Sundry income	<u>4,319</u>	<u>2,217</u>
	<u>13,527</u>	<u>7,373</u>

Notes:

For the years ended 31 December 2022 and 2021, the Group enjoyed the tax incentives on input value-added tax according to the related regulations in the PRC. There are no unfulfilled conditions related to these government grants. For the years ended 31 December 2022 and 2021, government grants had been received from the PRC local government authorities as reimbursement of the Group's research and development activities.

7. INCOME TAX EXPENSE

The income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax – the PRC		
– tax for the year	12,753	7,351
– over provision in respect of prior years	–	(22)
	<u>12,753</u>	<u>7,329</u>
Deferred tax		
– current year	(84)	(84)
Income tax expense	<u><u>12,669</u></u>	<u><u>7,245</u></u>

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands.

Pursuant to Enterprise Income Tax Law of the PRC (“EIT Law”) and the Implementation Regulation on the EIT Law, the tax rate of the Group's subsidiaries operating in the PRC during the year was 25% of their taxable profits, except for the following:

- (i) Hangzhou Rego was accredited as “Software Enterprise” in 2017, and entitled to full exemption from EIT for two years beginning from their first profitable calendar year and a 50% reduction for the subsequent three calendar years. Therefore, Hangzhou Rego was exempted from income tax from 2017 to 2018 and was entitled with a preferential income tax rate of 12.5% from 2019 to 2021. No such exemption is granted for the year ended 31 December 2022.
- (ii) Xi'an Tiantai was accredited as “High and New Technology Enterprise” in 2016 and 2019 under relevant PRC laws and regulation, and subject to a preferential EIT rate of 15% from 1 January 2016 to 31 December 2022. Hangzhou Rego was accredited as “High and New Technology Enterprise” in 2020 under relevant PRC laws and regulation, would be entitled with a preferential EIT rate of 15% from 1 January 2020 to 31 December 2023, and subject to the preferential EIT from 1 January 2022 to 31 December 2023.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective and updated from 2017 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the reporting period.

8. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the year ended 31 December 2022 and 2021.

9. EARNINGS PER SHARE FOR THE PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2022	2021
Profit attributable to owners of the Company (<i>RMB'000</i>)	68,503	49,985
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>in thousands</i>)	808,904	750,000
Basic and diluted earnings per share* (<i>expressed in RMB per share</i>)	0.08	0.07

* Adjusted for capitalisation issue of 749,900,000 shares credited as fully paid at par value to the shareholders on the register of members of the Company at the close of business on the date immediately preceding the date on which the Initial Public Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of USD749,000 equivalent to RMB5,092,000 standing to the credit of the share premium account of the Company. For this capitalisation issue, the additional shares should be treated as having been in issue for the whole year ended 31 December 2022 and also included in the earnings per share calculation of the year ended 31 December 2021 presented so as to give a comparable result.

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that profit attributable to owners of the Company of approximately RMB68,503,000 (2021: RMB49,985,000) and on the basis of the weighted average number of 808,904,110 (2021: 750,000,000) ordinary shares.

As the Company did not have any no dilutive potential ordinary shares for the year ended 31 December 2022 and 2021, there was no diluted earnings per share presented.

Accordingly, the diluted earnings per share are the same as the basic earnings per share for the years ended 31 December 2022 and 2021.

10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– Due from third parties	111,315	87,587
– Due from a related company (<i>note</i>)	433	446
	<u>111,748</u>	<u>88,033</u>
Less: Allowance for credit losses	(13,637)	(5,844)
Trade receivables, net	<u><u>98,111</u></u>	<u><u>82,189</u></u>

Note: The amounts due from a related company of which Mr. Chen, the executive director of the Company is also the substantial shareholder of a related company. The balances are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

The credit period granted to customers is ranging from 5 to 60 days as at the end of each of the reporting year.

An ageing analysis of the Group's trade receivables at the end of the reporting year, net of impairment, based on invoice date and net of loss allowance is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 month	94,073	74,332
More than 1 month but less than 3 months	3,676	7,679
More than 3 months but less than 6 months	117	4
More than 6 months but less than 1 year	100	–
More than 1 year	145	174
	<u>98,111</u>	<u>82,189</u>

Movements in loss on trade receivables were as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	5,844	1,996
Provision for impairment losses	7,793	3,875
Deemed distribution	–	(27)
	<u>13,637</u>	<u>5,844</u>

11. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	15,716	40,525

The credit period on purchase from suppliers is generally ranging from 10 to 60 days as at the end of the year.

An ageing analysis of the Group's trade payables as at the end of the year, based on invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 month	11,334	38,603
More than 1 month but less than 3 months	3,689	287
More than 3 months but less than 6 months	1	1,481
More than 6 months but less than 1 year	518	58
More than 1 year	174	96
	15,716	40,525

12. EVENTS AFTER THE REPORTING PERIOD

The Group entered into an investment agreement with an independent third party in December 2022 to acquire 5% equity interest of a company based in China, namely Caipingfang Technology Co., Ltd., with cash consideration of RMB2,695,500, which is primarily engaged in the welfare lottery business. The transaction was completed on 9 February 2023.

FUTURE AND OUTLOOK

Despite the Resurgence, the Group's business operations have not been impacted negatively. Fortunately, the travel and quarantine restrictions imposed by local governments, suspension of lottery sales and delay in trade receivables settlements only existed temporarily and there has been no significant impact or disruption to our provision of services and daily business operations.

For the lottery sector, we will continue to deploy resources in order to enable us fully penetrate into the industry. We aim to improve the sales of lottery tickets through offline stores by boosting sales from corporate entities. We will expand our lottery sales points and build new business relationships with the remaining provinces. Among them, Zhejiang Province will be the key location we wish to break through. In addition to the organic growth of our lottery sector business, we plan to pursue strategic investment and merger and acquisition opportunities that would help strengthen our product offerings and develop future business in the sports and welfare lottery industry. Through acquisitions, we aim to create the potential for expansion of our lottery retail stores. Through the Group's established customer base, we will convert the widespread lottery retail network in the PRC into our marketing channel. In order to strengthen the trend of "digitalisation", we will provide digital solutions in a comprehensive manner to lottery sector business operations.

As part of the business diversification process, we will create and strengthen synergies between the marketing and promotion services, lottery solutions and the tobacco industry. With our success in the marketing field, we intend to utilise existing marketing channels and platforms to assist lottery retail stores with enhanced user acquisition, engagement and retention. The lottery buyer base will be significantly increased through connecting offline stores to online platforms. We believe the expansion of marketing operations in the lottery industry will allow cross-selling of our marketing and promotion services and IT solutions services to the relevant marketing participants. This allows the expansion of sales points network of both business segments of the Group and exploration of potential marketing and advertising through the offline outlets.

We also plan to increase our R&D efforts in advertising solutions, enabling our customers to utilise existing user traffic they have created, and monetise such traffic to generate additional income sources. We will continue to carry out independent R&D in virtual goods sourcing and delivery platforms like "Caituan Youxuan", which serves to refine, streamline and expand business operations and existing customer base. For product offerings, we endeavour to integrate existing supply chains and enrich the scope and quality of services offered. Driven by demands from existing customers and growing competition in the marketing industry, we will carry on the growth momentum through innovative marketing solutions and exploration of new opportunities, thus increasing the revenue generated from the marketing services.

The uncertainty surrounding COVID-19 ceased to exist and the Chinese borders have been reopened in January 2023. We believe that the retail sales will be boosted, thus bringing positive business impact to our Group. In terms of marketing services, we have maintained stable business relationships with our customers and will seek to further expand our capabilities in providing comprehensive marketing solutions. Through consistent effort in developing our SaaS enterprise marketing platform, we believe that we are fully capable in dealing with any potential, rapid shift in advertising needs among our customers with respect to the borders reopening.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

Compliance with Corporate Governance Code

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. The Company has adopted the CG Code as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all applicable code provisions of the CG Code during the Year.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the code provisions of the CG Code and maintaining a high standard of corporate governance of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct governing the securities transactions by the Directors. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the Year.

No incident of non-compliance of the Model Code by the employees was noted by the Company throughout the Year.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three members, all of whom are INEDs, namely Mr. Wan Lixiang, Ms. Hu Huijun and Mr. Zhao Zhongping. Mr. Wan Lixiang is the chairman of Audit Committee.

The Audit Committee has reviewed the audited consolidated annual financial statements of the Group for the Year, including the applicable accounting policies and accounting standards adopted by the Group, and considers that such statements have been prepared in compliance with the applicable Listing Rules.

Scope of Work of the Auditor

The financial information set out in this announcement does not constitute the Group's audited accounts for the Year, but represents an extract from the consolidated financial statements for the Year which have been audited and were agreed by the auditor of the Company, BDO Limited, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

Use of Proceeds

The Shares were listed on the Main Board of the Stock Exchange on 17 October 2022 by way of Global Offering, raising total net proceeds of HK\$100.7 million (the “**IPO proceeds**”) after deducting professional fees, underwriting commissions and other related listing expenses. The Over-allotment Option has not been exercised and the Over-allotment Option had lapsed on 6 November 2022.

As at 31 December 2022, IPO proceeds of HK\$11.2 million has been utilised. An analysis of the net proceeds from the Listing Date up to 31 December is set out below:

	Approximate % of total IPO proceeds %	Allocated use of actual IPO proceeds HK\$ million	Utilised IPO proceeds as of 31 December 2022 HK\$ million	IPO proceeds unused balance as of 31 December 2022 HK\$ million	Proposed timetable for utilising the remaining balance of IPO proceeds from the Global Offering
Developing and expanding our online marketing channels and resources for our marketing and promotion services	42.2	42.5	6.0	36.5	On or before 31 December 2024
Further developing and expanding our supplier base and types of virtual goods on offer	26.7	26.9	4.5	22.4	On or before 31 December 2024
Acquiring companies in marketing and related industries	14.9	15.0	–	15.0	On or before 31 December 2023
Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels	6.3	6.3	–	6.3	On or before 31 December 2024
General working capital	9.9	10.0	0.7	9.3	On or before 31 December 2024
Total	100	100.7	11.2	89.5	

As at 31 December 2022, the amount of unutilised net proceeds amounted to approximately HKD89.5 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and the PRC.

Up to 31 December 2022, the utilised net proceeds were applied in accordance with the planned use as previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned. The remaining unutilised net proceeds are expected to be utilised on or before 31 December 2024.

Subsequent Events

In the event that there is any significant financial impacts, the Company will release further announcement as and when appropriate.

The Company has resolved on 17 January 2023 to approve the proposed adoption of a share award scheme (the “**Share Award Scheme**”). The purposes of the Share Award Scheme are (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme will be valid and effective for a term of ten years. Since the adoption of the Share Award Scheme, no share awards had been granted or agreed to be granted by the Company. For further details of the Share Award Scheme, please refer to the announcement of the Company dated 17 January 2023.

Save as disclosed above, as of the date of this announcement, there was no other significant event subsequent to 31 December 2022.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

Annual General Meeting

The AGM is scheduled to be held on Monday, 26 June 2023. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of the Register of Members

The register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Monday, 26 June 2023. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 19 June 2023.

Publication of the 2022 Annual Results and Annual Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.regopimc.com). The annual report for the Year containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in April 2023.

Appreciation

The Board would like to express its sincere gratitude to the management and staff members of the Group for their dedication and hard work during the year under review. Also, the Board would like to extend thanks to all the business partners, customers and shareholders for their support. The Chairman of the Company believes that they will continue to render support to the Group for our continuous growth and success in the future.

DEFINITION

In this announcement, unless the context otherwise require, the following expressions shall have the following meaning:

“AGM”	annual general meeting of our Company
“Annual Results”	audited consolidated financial results of the Group for the Year
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CAGR”	compound annual growth rate
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Rego Interactive Co., Ltd, a company incorporated in the Cayman Islands as an exempted company with limited liability, the Share of which are listed and traded on the Main Board of the Stock Exchange
“COVID-19”	2019 novel coronavirus disease
“CPA”	cost per action, a performance-based pricing model where advertising is paid on the basis of each action of the mobile device user such as download, installation or registration. CPI is typically referred to as CPA
“Director(s)”	the director (s) of the Company

“Eligible Persons”	An employee (whether full time or part-time) or a director of a member of the Group as determined by the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) at its absolute discretion to be offered to grant an option to subscribe for such number of Shares
“FVTPL”	financial assets at fair value through profit or loss
“FY2022”	the financial year ended on 31 December of the year 2022. For example, “FY2021” refers to the year ended 31 December 2021
“Global Offering”	has the meaning ascribed to it under the Prospectus
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“INED(s)”	the independent non-executive Director(s)
“IT”	the information and technology
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	17 October 2022, the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Over-allotment Option”	has the meaning ascribed to it under the Prospectus

“Prospectus”	the prospectus of the Company dated 30 September 2022
“R&D”	the research and development
“Reorganisation”	the pre-listing reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed “History, development and reorganisation – Reorganisation for Listing” in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with par value of US\$0.001 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company, further details of which are described in the section headed “Statutory and general information – D. Share Option Scheme” in Appendix IV to the Prospectus
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US” or “United States”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Year”	the year ended 31 December 2022

On behalf of the Board
Rego Interactive Co., Ltd
Chen Ping
Chairman and Executive Director

Hong Kong, 15 March 2023

As at the date of this announcement, the Board comprises Mr. Chen Ping, Mr. Tian Huan, Mr. Zhang Yongli, Mr. Fan Lianshun, Mr. Xia Yuanbo and Ms. Zeng Zhen as executive Directors; and Ms. Hu Huijun, Mr. Wan Lixiang and Mr. Zhao Zhongping as independent non-executive Directors.