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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Board announces the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2023, together with comparative figures for the six months ended 30 June 2022. In this announcement, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Period-to-Period Change
	2023	2022	
	(unaudited)	(unaudited)	
	RMB'000	RMB'000	%
Revenue	68,975	108,591	36.5%
Gross profit	43,420	57,458	24.4%
Profit before income tax	13,488	34,085	60.4%
Profit for the year attributable to owners of the Company	11,479	28,427	59.6%
Adjusted net profit (<i>note</i>)	10,872	29,880	63.6%

Note: Please refer to “Non-HKFRS Measures: Adjusted Net Profit” on page 14 of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

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, which resulted in corresponding increase in our customer base and the variety of the forms and channels in which our marketing services have been delivered.

In terms of acquisitions, on 31 May 2023, the Group acquired 100% equity interest in Yangtze River Delta Demonstration Zone (Shanghai) ASMKT Network Technology Co., Ltd. (長三角一體化示範區(上海)在嬴端網路科技有限公司) (“ASMKT”), a company whose principally engaged in loyalty marketing services through virtual goods sourcing and delivery and established in PRC. The Group has acquired ASMKT because it has technology research and development advantage in virtual goods sourcing and delivery and help the Group to have a comprehensive layout in the virtual goods sourcing and delivery sector in PRC. As a result, we intend to expand the type of virtual goods and the customer base in the second half of 2023.

Apart from our advertising business, we also expanded our virtual goods delivery services to lottery sector in December 2022. We launched lottery marketing tickets as product, which would be provided to the users of the large-scale sales platform customers of the Group.

Moreover, we expanded the services from our virtual goods sourcing and delivery services to products sourcing and delivery services which is tangible and covered mainly on daily necessities in late June 2023, which will start contributing revenue to the Group in the second half of FY2023.

In order to further the Group's reach and access in the lottery sector, we will continue to build on its market presence among the two legal lottery operators in PRC: the national China Welfare Lottery Issuance and Administration Centre ("**Welfare Lottery**") and the national China Sports Lottery Issuance and Administration Center ("**Sports Lottery**").

Our Group invested in Beijing Mingzhi Hongfengcai Sports Technology Co., Ltd ("**Mingzhi**") which is engaged in provision of solution on lottery related software systems in Sports Lottery. We consider that the investment in Mingzhi will help the Group to build on the market presence in Sports Lottery, which will be a significant milestone for the Group.

We also invested in Caipingfang Technology Co., Ltd. (彩平方科技有限公司) ("**Caipingfang**") which is primarily engaged in the China welfare lottery business focusing on the lottery distribution through physical channels and ancillary services. We consider that the investment in Caipingfang will help the Group to have a comprehensive layout in the lottery sector in China and strengthen the synergy of the Group's various business segments, which will play an important role in promoting the Group's business development in the lottery sector.

At the same time, the Group continues to focus on research and development of the lottery related software and hardware in order to facilitate the needs from the Welfare Lottery and Sports Lottery. In late December of FY2022, we had developed a data management system for lottery operating to enhance the effectiveness of management on the lottery operation which provides the data of the distributors of lottery tickets instantly. Through this development, we target to enhance our market presence in various provinces or regions in PRC.

We also plan to develop our SaaS enterprise marketing service platform in future as a means to expand our marketing channels; leveraging our information technology capability and the access we have gained to the vast network of lottery sales points in the PRC through provision of solutions on lottery-related software systems and equipment. Our SaaS enterprise marketing service platform will initially cover lottery retail stores. Specifically, we will connect the lottery retail stores to our relevant self-operated platforms to enhance their operational efficiency in areas such as lottery buyer management. We therefore stand to expand our marketing operations in the lottery industry in the PRC, which will create opportunities for cross-selling of our marketing and promotion services and IT solutions services to the relevant marketing participants.

Our revenue has been negatively affected. We recorded a decrease of approximately 36.5% in our overall revenue for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022. Such decrease was mainly attributable to the decline in revenue from our advertisement placement services and advertisement distribution services.

In terms of the market outlook in the second half of 2023, we will focus to the lottery marketing tickets to seize the chances on the growth of lottery sales to expand our market presence among the Welfare Lottery and Sports Lottery.

We will continue to develop the lottery software or hardware to facilitate the digital transformation of the lottery shops. Also, we will excavate the opportunity with additional provincial in both Welfare Lottery and Sports Lottery for solutions on lottery related software systems and equipment, the Group will further align and benefit from synergies created through the cross segment encountered.

On the contrary, with the gradual ease global supply chain issue and the widespread of artificial intelligence across different industries, we will continue to provide the services for the enterprises marketing and technology solutions area to solve the customers' demand on the promotion and marketing services, including the virtual goods sourcing and delivery services and digital marketing services.

Lastly, the Group will continue to prioritise its strategic investments to maximise the synergies across the segment in promotion and marketing and solutions on lottery related software systems and equipment. The Group will continue to dedicate its commitment and support to grow its business to further capitalise on diversification opportunities.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the Reporting Period, we generated our revenue from the provision of marketing and promotion services and IT solution services. The following table sets forth the breakdown of our revenue by business segments for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Marketing and promotion services				
Promotion and advertising services				
– Traditional marketing and promotion services	3,749	5.4	4,130	3.8
– Advertisement placement services	1,371	2.0	5,451	5.0
– Advertisement distribution services	21,802	31.6	56,690	52.2
Virtual goods sourcing and delivery services	28,145	40.8	25,583	23.6
Sub-total	55,067	79.8	91,854	84.6
IT solutions services				
Mobile game and software development and maintenance services	566	0.8	8,642	8.0
Solutions on lottery related software systems and equipment	13,339	19.4	8,047	7.4
Sub-total	13,905	20.2	16,689	15.4
Others (Note)	3	0.0	48	0.0
Total	68,975	100.0	108,591	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 period indicated:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Promotion and advertising services	26,922	48.9	66,271	72.1
Virtual goods sourcing and delivery services	28,145	51.1	25,583	27.9
Total	55,067	100.0	91,854	100.0

Our revenue from marketing and promotion services decreased by 40.0%, from approximately RMB91.9 million for the six months ended 30 June 2022 to approximately RMB55.1 million for the period ended 30 June 2023. For the six months ended 30 June 2023, the revenue generated from our marketing and promotion services accounted for 79.8% 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 periods indicated:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Online	55,066	99.9	90,410	98.4
Offline	1	0.1	1,444	1.6
	55,067	100.0	91,854	100.0

Our revenue attributable to online marketing services amounted to RMB90.4 million and RMB55.1 million, representing 98.4% and 99.9% of our total revenue from marketing and promotion services for the periods ended 30 June 2022 and 2023, 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 periods indicated:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Advertising agents	28,456	51.7	73,927	80.5
Enterprises	26,611	48.3	17,927	19.5
	55,067	100.0	91,854	100.0

Revenue from marketing and promotion services – Advertisement placement services

Our revenue from advertisement placement services amounted to RMB1.4 million and RMB5.5 million for the periods ended 30 June 2023 and 2022, respectively, representing 2.5% and 5.9% of our revenue from marketing and promotion services. The number of our customers of the advertisement placement services amounted to 231 and 164 for the periods ended 30 June 2023 and 2022, respectively. The decrease in the revenue from advertisement placement services was mainly attributable to: (i) the consumer market sentiment in China was negatively impacted by various uncertainties, which led to reduction in customers' marketing budgets and decline in the overall level of advertisement placement; and (ii) in light of the uncertain market environment, the Group has implemented more prudent policy on the selection of customers for the high quality clients during the six months ended 30 June 2023.

Revenue from marketing and promotion services – Advertisement distribution services

Our revenue from advertisement distribution services amounted to RMB21.8 million and RMB56.7 million for the periods ended 30 June 2023 and 2022, respectively, representing 39.6% and 61.7% of our revenue from marketing and promotion services. The number of our customers of the advertisement distribution services amounted to 4 and 3 for the periods ended 30 June 2023 and 2022, respectively. The decrease in the revenue from advertisement distribution services was mainly attributable to: (i) poor consumer market sentiment in China leading to reduction in customers' marketing budgets and decline in the overall level of advertisement placements; and (ii) the environment has further intensified the competition for advertisement distribution services. The following table set forth the breakdown of our revenue from advertisement distribution services in the periods ended 30 June 2023 and 2022 by the types of the mobile app connected to our Rego SDK:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Financial services	<u>21,802</u>	<u>100.0</u>	<u>56,690</u>	<u>100.0</u>

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

We generated revenue of RMB28.1 million and RMB25.6 million, respectively, from our virtual goods sourcing and delivery services, representing approximately 51.1% and 27.9% of our revenue from marketing and promotion services for the periods ended 30 June 2023 and 2022. The growth in the revenue generated from our virtual goods sourcing and delivery services during the periods was mainly driven by (i) offering a wide spectrum of virtual goods to our customers; and (ii) due to acquisition of ASMKT on 31 May 2023. Since the acquisition date, it contributed revenue of RMB3.0 million to our virtual goods sourcing and delivery services. The table below sets forth a breakdown of revenue generated from our virtual goods sourcing and delivery services by type of virtual goods for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Top-up for telecommunication services	11,753	41.7	9,465	37.0
Online vouchers and interests <i>(Note)</i>	6,687	23.8	11,801	46.0
Gift cards of gas stations	8,478	30.1	4,315	16.9
Others	1,227	4.4	2	0.1
Total	28,145	100.0	25,583	100.0

Note: 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 period indicated:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	
GMV	727,686	476,830
Less: purchase costs of the virtual goods	(699,541)	(451,247)
Revenue	28,145	25,583

The total GMV of the virtual goods offered by us under our virtual goods sourcing and delivery services amounted to RMB727.7 million and RMB476.8 million for the periods ended 30 June 2023 and 2022, 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 92 for the six months ended 30 June 2022 to 776 for the six months ended 30 June 2023.

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.

Revenue from IT Solution Services

Our revenue from IT solution services amounted to RMB13.9 million and RMB16.7 million for the periods ended 30 June 2023 and 2022, respectively. Such decrease by 16.7% from approximately RMB16.7 million for the six months ended 30 June 2022 to approximately RMB13.9 million for the six months ended 30 June 2023 was primarily attributable to (i) shift of our business focus away from the online game industry since FY2019 in view of the uncertain regulatory environment of the online game industry in the PRC; and (ii) the cessation of our business relationship with a major customer in mobile game and software development and maintenance services from January 2023.

On the contrary, our revenue from solutions on lottery related software systems and equipment recorded an increase by 65.8% from approximately RMB8.0 million for the six months ended 30 June 2022 to approximately RMB13.3 million for the six months ended 30 June 2023 was primarily attributable to the projects which delayed near the year ended 2022 had been completed in the first half of FY2023.

Our total revenue decreased by RMB39.6 million, or 36.5%, from RMB108.6 million for the six months ended 30 June 2022 to RMB69.0 million for the six months ended 30 June 2023, which primarily reflected a decrease of RMB36.8 million in revenue from marketing and promotions services segment and a decrease of RMB2.8 million in revenue from IT solutions services. The decrement of revenue mainly attributable to: (i) for the advertisement placement services and advertisement distribution services, the consumer market sentiment in China was negatively impacted by various uncertainties, which led to reduction in customers' marketing budgets and decline in the overall level of promotion and advertising services. Along with intensified competition in the industry, the Group's profitability was negatively impacted to a certain extent; and (ii) in light of the uncertain market environment, the Group has implemented more prudent policy on the selection of customers for the high quality clients.

Cost of Sales

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

Our total cost of sales decreased by RMB25.6 million, or 50.0%, from RMB51.1 million for the six months ended 30 June 2022 to RMB25.6 million for the six months ended 30 June 2023, which was primarily attributable to the decrease of traffic acquisition cost from approximately RMB45.3 million for the six months ended 30 June 2022 to approximately RMB21.6 million for the six months ended 30 June 2023 which presented 52.3% of reduction. The traffic acquisition costs representing approximately 84.4% and 88.6% of our cost of sales for the periods ended 30 June 2023 and 2022 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 RMB43.4 million for the six months ended 30 June 2023, representing a decrease of approximately 24.4% as compared to approximately RMB57.5 million for the six months ended 30 June 2022, which was mainly attributable to the revenue reduction in advertisement distribution services sub-segment which aligned with the decline of traffic acquisition cost in cost of sales.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Our gross profit margin increased from 52.9% for the six months ended 30 June 2022 to 63.0% for the six months ended 30 June 2023, which was mainly attributable to (i) the gross profit margin of our IT solution services increased from 67.0% for the six months ended 30 June 2022 to 69.0% for the six months ended 30 June 2023, which was mainly due to the increase on the gross profit margin of our solutions on lottery related software systems and equipment as we have expanded our product offerings and the new products to supervision platform which had a relatively high profit margin. Also, we were engaged in projects relating to the development of data management system for lottery operating (即開票兼營渠道管理系統) for China Welfare Lottery Issuance and Administration Centre (中國福利彩票發行管理中心) in late of FY2022, which had a relatively high profit margin. The operating system had launched for sales in the first half of FY2023 which had contributed the increment to our gross profit margin; and (ii) the business segment of recognising revenue on net basis recorded an increment on revenue in virtual goods sourcing and delivery services, which weighted 40.8% and 23.6% in total revenue for the six months ended 30 June 2023 and 2022. On the contrary, the proportion of advertisement distribution services which recognising on gross basis was decreased from 52.2% to 31.6% in total revenue for the six months ended 30 June 2022 and 2023. Despite the reduction on the revenue recorded in gross basis, the gross profit margin increased due to the proportion of net revenue was increasing.

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) exchange gain; and (iv) sundry income.

Our other income decreased by approximately RMB3.9 million, or 58.5%, from approximately RMB6.6 million for the six months ended 30 June 2022 to approximately RMB2.8 million for the six months ended 30 June 2023. Such changes was primarily attributable to the decrease on the government grants by approximately RMB5.0 million, or 97.0%, which was related to delay on the approval of government grants; and partially offset by the increase on bank interest income by approximately RMB0.9 million, or 975.3%, which was related to the use of proceeds received on 17 October 2022 which had put into the bank for deposit to generate the interest income.

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 RMB0.9 million, or 17.9%, from approximately RMB4.8 million for the six months ended 30 June 2022 to approximately RMB3.9 million for the six months ended 30 June 2023. Such decrease was primarily due to (i) the decrease in travel and entertainment expenses due to the approval policy we had tighten up on; and (ii) decrease in the employee benefit expenses of our sales and marketing team.

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 RMB6.9 million, or 98.6%, from approximately RMB7.0 million for the six months ended 30 June 2022 to approximately RMB13.9 million for the six months ended 30 June 2023. Such increase was primarily due to (i) the increase in employee benefits expenses by approximately RMB2.9 million, or 85.0% which primarily attributed to the Group's development and required more high-level or more technical employee and the director's remuneration measured of approximately RMB1.0 million compared to the period ended 30 June 2022; and (ii) the increase of professional fees for maintaining the listing status of RMB1.5 million.

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 RMB1.9 million, or 24.9%, from approximately RMB7.5 million for the six months ended 30 June 2022 to approximately RMB9.4 million for the six months ended 30 June 2023 which was mainly attributable to the increase in number of employees dedicated in upgrading and developing the platform or systems for the integrated business in cross selling of our marketing and promotion services and solutions on lottery related software systems and equipment and our SaaS enterprise marketing service platform.

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 RMB0.2 million, or 21.0%, from approximately RMB0.8 million for the six months ended 30 June 2022 to approximately RMB0.9 million for the six months ended 30 June 2023. Such increase was primarily due to the increase of approximately RMB0.2 million in the interest expenses of our bank borrowings resulting from the increase of bank borrowings in line with business expansion.

Income Tax Expense

Our income tax expenses decreased by approximately RMB3.6 million, or 64.5%, from approximately RMB5.7 million for the six months ended 30 June 2022 to approximately RMB2.0 million for the six months ended 30 June 2023, which was mainly due to the decrease in taxable profit. Our effective income tax rate decreased from 16.6% for the six months ended 30 June 2022 to 14.9% for the six months ended 30 June 2023, which was because the tax effect of super deduction were maintained similar level of approximately RMB2.1 million and RMB2.4 million for the six months ended 30 June 2023 and 2022. We had kept the development and upgrade in our research and development for our operating systems for future usage during the first half of FY2023.

Profit for the Period

Our profit for the period decreased by approximately RMB16.9 million, or 59.5%, from approximately RMB28.4 million for the six months ended 30 June 2022 to approximately RMB11.5 million for the six months ended 30 June 2023.

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:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Company	11,479	28,427
Add:		
Listing expenses	–	1,453
Foreign exchange differences	(607)	–
Non-HKFRS Measure		
Adjusted net profit	<u>10,872</u>	<u>29,880</u>

Employees and Remuneration Policies

As at 30 June 2023, we had 215 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 RMB20.7 million for the six months ended 30 June 2023 (For the six months ended 30 June 2022: approximately RMB19.3 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. The 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 Reporting Period, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

Contingent Liabilities and Indebtedness

As at 30 June 2023, the Group had the interest-bearing borrowings of approximately RMB90.0 million which consists approximately RMB20.0 million was unsecured and guaranteed and approximately RMB70.0 million was unsecured and unguaranteed (As at 31 December 2022: RMB38.0 million which consists RMB8.0 million was unsecured and guaranteed and RMB30.0 million was unsecured and unguaranteed). The maturity profile of the interest-bearing bank borrowings as at 30 June 2023 and 31 December 2022 were repayable within one-year or on demand. In addition, as at 30 June 2023, the Group had lease liabilities of RMB0.3 million (As at 31 December 2022: RMB0.4 million).

Save as the above, the Group did not have any material contingent liabilities as at 30 June 2023 (As at 31 December 2022: nil).

Liquidity, Financial and Capital Resources

During the six months ended 30 June 2023, we financed our capital expenditure and working capital requirements mainly through bank borrowings and the proceeds received from the Global Offering of the Company's shares in October 2022. As at 30 June 2023, we had bank borrowings of approximately RMB90 million (unaudited) (as at 31 December 2022: RMB38.0 million). The range of effective interest rates on the borrowings was 3.3% to 3.7% (unaudited) (as at 31 December 2022: 3.6% to 5.5%) per annum for the six months ended 30 June 2023.

The Group's gearing ratio as of 30 June 2023 was 29.6% (unaudited)(as at 31 December 2022: 12.9%).

As at 30 June 2023, the Group's cash and cash equivalents were mainly held in RMB and HKD, and the cash and cash equivalents decreased by RMB38.6 million from RMB186.8 million as at 31 December 2022 to RMB148.2 million. The decrease was primarily attributable to the business acquisition of ASMKT for the cash consideration paid for RMB41.8 million during the six months ended 30 June 2023.

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

On 31 May 2023, the Group acquired 100% equity interest in Yangtze River Delta Demonstration Zone (Shanghai) ASMKT Network Technology Co., Ltd. (the "ASMKT"), a company whose principally engaged in loyalty marketing services through virtual goods sourcing and delivery and established in PRC. Our Directors consider that the acquisition of ASMKT will facilitate developing and expanding our Company's virtual goods sourcing and delivery business in the PRC as ASMKT has technology research and development advantage in virtual goods sourcing and delivery. For further details, please refer to the announcements of the Company dated 31 May 2023 and 1 June 2023.

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 period.

Capital Commitments

As at 30 June 2023, the Group had capital commitments of RMB10,000,000 which the Group will settle the remaining consideration of acquisition of ASMKT on or before 31 March 2024 (As at 31 December 2022: nil).

Charge on the Group's Assets

As at 30 June 2023, none of the Group's assets were charged with any parties or financial institutions (as at 31 December 2022: nil).

Top Customers

Our top five customers accounted for 69.2% and 70.5% of our revenue for the periods ended 30 June 2023 and 2022, respectively. Our largest customer accounted for 31.1% and 80.6% of our revenue for the periods ended 30 June 2023 and 2022, 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 period.

Top Suppliers

Our top five suppliers accounted for 73.8% and 84.4% of our total costs of sales for the periods ended 30 June 2023 and 2022, respectively. Our largest supplier accounted for 58.8% and 76.1% of our total costs of sales for the periods ended 30 June 2023 and 2022, 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 period.

Key Financial Ratios

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

	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Profitability ratios		
Gross profit margin ⁽¹⁾	63.0%	52.0%
Net profit margin ⁽²⁾	16.6%	26.7%
Adjusted net profit margin under HKFRS measures ⁽³⁾	15.8%	31.6%
Return on equity ⁽⁴⁾	3.8%	23.0%
Return on total assets ⁽⁵⁾	2.5%	17.1%
Liquidity ratios		
Current ratio ⁽⁶⁾	2.6 times	3.7 times
Quick ratio ⁽⁷⁾	2.6 times	3.7 times
Capital adequacy ratios		
Gearing ratio ⁽⁸⁾	29.6%	12.9%
Debt-to-equity ratio ⁽⁹⁾	N/A	N/A

Notes:

- (1) The calculation of gross profit margin is based on gross profit for the period divided by revenue and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the period 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 and exchange gain/loss.
- (4) The calculation of return on equity is based on profit for the period 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 period 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 period/year end.
- (7) Quick ratio is calculated as current assets less inventories divided by current liabilities as at the relevant financial period/year end.
- (8) Gearing ratio is calculated as total debt divided by total equity and multiplied by 100% as at the relevant financial period/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 period/year.
- (9) Debt to equity ratio is calculated as net debt (representing total debt minus cash and cash equivalent as at the relevant period/year end) divided by the total equity as at the end of the respective period/year and multiplied by 100%. As our cash and cash equivalent is higher than our total debts as at 30 June 2023 and 31 December 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 six months ended 30 June 2023, 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.

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

For the six months ended 30 June 2023

	<i>Notes</i>	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Revenue	6	68,975	108,591
Cost of sales		<u>(25,555)</u>	<u>(51,133)</u>
Gross profit		43,420	57,458
Other income and other gains or losses	7	2,761	6,649
Provision for impairment losses on financial assets		(4,560)	(8,527)
Selling and distribution expenses		(3,929)	(4,787)
Administrative expenses		(13,898)	(6,981)
Research and development expenses		(9,385)	(7,513)
Listing expenses		–	(1,453)
Finance costs		<u>(921)</u>	<u>(761)</u>
Profit before income tax		13,488	34,085
Income tax expense	7	<u>(2,009)</u>	<u>(5,658)</u>
Profit for the period		<u>11,479</u>	<u>28,427</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences arising from translation		<u>740</u>	<u>82</u>
Total comprehensive income for the period		<u>12,219</u>	<u>28,509</u>
Earnings per share for the profit attributable to owners of the Company during the period			
– Basic and diluted (<i>expressed in RMB per share</i>)	9	<u>0.01</u>	<u>0.04</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		At 30 June 2023	At 31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		15,622	17,589
Property, plant and equipment		2,365	647
Right-of-use assets		247	325
Goodwill		26,729	14,342
Prepayment		–	2,696
Financial assets at fair value through profit or loss		12,701	–
		57,664	35,599
Current assets			
Inventories		4,107	2,424
Contract assets		1,651	2,202
Trade receivables	10	148,586	98,111
Prepayments, deposits and other receivables		100,101	74,515
Restricted bank deposits		1,256	–
Cash and cash equivalents		148,230	186,849
		403,931	364,101
Total assets		461,595	399,700
Current liabilities			
Trade payables	11	9,886	15,716
Contract liabilities		5,886	7,578
Other payables and accruals		35,481	22,611
Bank borrowings		90,019	38,000
Lease liabilities		187	187
Income tax payable		11,313	13,384
		152,772	97,476

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Net current assets	<u>251,159</u>	<u>266,625</u>
Total assets less current liabilities	<u>308,823</u>	<u>302,224</u>
Non-current liabilities		
Contract liabilities	3,134	4,271
Lease liabilities	84	164
Deferred tax liabilities	<u>286</u>	<u>328</u>
	<u>3,504</u>	<u>4,763</u>
Total liabilities	<u>156,276</u>	<u>102,239</u>
NET ASSETS	<u>305,319</u>	<u>297,461</u>
EQUITY		
Share capital	6,790	6,790
Reserves	<u>298,529</u>	<u>290,671</u>
TOTAL EQUITY	<u>305,319</u>	<u>297,461</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL

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 and its principal place of business is located at People’s Republic of China (“**PRC**”). The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) were engaged in the following businesses in the 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**”.

The interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2023 include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence for the six months ended 30 June 2023, or since their respective dates of acquisition/incorporation/establishment/when the combining entity first came under the control of the Controlling Shareholders, whichever is the shorter period.

2. BASIS OF PREPARATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT AND ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to HKAS 1);
- Definition of Accounting Estimates (Amendments to HKAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to HKAS 12); and
- Insurance Contracts (HKFRS 17 and Amendments to HKFRS 17 (including the October 2020 and February 2022))

The amendments to standards did not have any significant impact on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of asset and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the other significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022, except the following estimation uncertainty:

Financial assets at fair value through profit or loss (“FVTPL”)

The fair value measurement of the financial assets through profit or loss utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “**fair value hierarchy**”):

- Level 1: Quoted prices in active markets for identical assets or liabilities (unadjusted);
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

The Group selects appropriate valuation techniques for financial instruments measured at FVTPL for financial reporting purposes. The executive directors have delegated the valuation work to finance division of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of assets, the Group uses market-observable data to the extent it is available (Level 1).

Where Level 1 inputs are not available, the Group engages a qualified valuer, an independent third party, to perform the valuation. The finance division works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The finance division of the Company reports the findings to the executive directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

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 on 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 statement of profit or loss and other comprehensive income. There were no separate segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

(a) Segment revenue and results

	Marketing and promotion services	IT solutions services	Others	Consolidated total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended				
30 June 2023 (unaudited)				
Revenue	55,067	13,905	3	68,975
Cost of sales	(21,246)	(4,309)	–	(25,555)
Segment profit	<u>33,821</u>	<u>9,596</u>	<u>3</u>	<u>43,420</u>
For the six months ended				
30 June 2022 (unaudited)				
Revenue	91,854	16,689	48	108,591
Cost of sales	(45,631)	(5,502)	–	(51,133)
Segment profit	<u>46,223</u>	<u>11,187</u>	<u>48</u>	<u>57,458</u>

Note: On 31 May 2023, the Group completed the acquisition of Yangtze River Delta Demonstration Zone (Shanghai) ASMKT Network Technology Co., Ltd. (“ASMKT”), which should be classified in the reportable segment of marketing and promotion services.

(b) 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.

(c) 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.

5. REVENUE

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

	Marketing and promotion service	IT solutions services	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended				
30 June 2023 (unaudited)				
Timing of revenue recognition:				
At a point in time	55,067	7,929	3	62,999
Transferred over time	–	5,976	–	5,976
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>55,067</u>	<u>13,905</u>	<u>3</u>	<u>68,975</u>
For the six months ended				
30 June 2022 (unaudited)				
Timing of revenue recognition:				
At a point in time	91,854	6,928	48	98,830
Transferred over time	–	9,761	–	9,761
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>91,854</u>	<u>16,689</u>	<u>48</u>	<u>108,591</u>

6. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	1,043	97
Government grants (<i>Note</i>)	158	5,198
Exchange gain	607	–
Sundry income	953	1,354
	<u>2,761</u>	<u>6,649</u>

Note: For the six months ended 30 June 2023 and 2022, 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 six months ended 30 June 2023 and 2022, 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 Group calculated the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax – the PRC		
– tax for the period	1,840	5,700
– under provision in respect of prior years	211	–
Deferred tax	(42)	(42)
	<u>2,009</u>	<u>5,658</u>

Cayman Islands income tax

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.

PRC Enterprise income tax

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 Reporting Period was 25% of their taxable profits. The income tax provisions of the of the Group has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

For certain subsidiaries of the Group in the PRC including Hangzhou Rego Network Company Limited (“**Hangzhou Rego**”) and Xi’an Tiantai Innovation Technology Company Limited (“**Xi’an Tiantai**”) were accredited as “High and New Technology Enterprise” under relevant PRC laws and regulation, and subject to a preferential EIT rate of 15% from 2020 to 2023 and 2023 to 2025. For Yangtze River Delta Demonstration Zone (Shanghai) ASMKT Network Technology Co., Ltd., the Group completed the acquisition on 31 May 2023, it was accredited as “High and New Technology Enterprise” under relevant PRC laws and regulation, and subject to a preferential EIT rate of 15% from 2021 to 2024.

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 six months ended 30 June 2023 and 2022.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)
Profit attributable to owners of the Company (<i>RMB’000</i>)	11,479	28,427
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousands</i>)	932,877	750,000
Basic and dilute earnings per share (<i>expressed in RMB per share</i>)	0.01	0.04

The Company did not have any potential ordinary shares for the six months ended 30 June 2023 and 2022. Accordingly, the diluted earnings per share are the same as the basic earnings per share for the six months ended 30 June 2023 and 2022, respectively.

10. TRADE RECEIVABLES

	At 30 June 2023 RMB’000 (unaudited)	At 31 December 2022 RMB’000 (audited)
	Trade receivables	
– Due from third parties	166,193	111,315
– Due from related companies (<i>Note</i>)	433	433
	166,626	111,748
Less: Allowance for credit losses	(18,040)	(13,637)
Trade receivables, net	148,586	98,111

Note: The amounts due from related companies of which Mr. Chen, the executive director of the Company is also the substantial shareholder of these related companies. 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 the Reporting Period.

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

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Less than 1 month	131,904	94,073
More than 1 month but less than 3 months	13,806	3,673
More than 3 months but less than 6 months	470	117
More than 6 months but less than 1 year	2,215	100
More than 1 year	191	145
	148,586	98,111

11. TRADE PAYABLES

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Trade payables	9,886	15,716

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

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

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Less than 1 month	8,172	11,334
More than 1 month but less than 3 months	727	3,689
More than 3 months but less than 6 months	239	1
More than 6 months but less than 1 year	448	518
More than 1 year	300	174
	9,886	15,716

12. EVENTS AFTER REPORTING PERIOD

There were no significant events subsequent to the end of the Reporting Period which would materially affect the Group's operating and financial performance as at the date of this announcement.

FUTURE AND OUTLOOK

In terms of the market outlook in the second half of 2023, we will focus on the development of lottery marketing tickets to seize the chances on the growth of lottery sales and expand our market presence in China.

We will continue to develop the lottery software and hardware to facilitate the digital transaction of the lottery shops. Also, we will excavate the opportunity with additional provincial in both Welfare Lottery and Sports Lottery for solutions on lottery related software systems and equipment. We believe the Group will further align and benefit from synergies created through the cross segment encountered.

On the contrary, with the gradual ease global supply chain issue and the widespread of artificial intelligence across different industries, we will continue to provide the services for the enterprises marketing and technology solutions area to solve the customers' demand on the promotion and marketing services, including the virtual goods sourcing and delivery services and digital marketing services.

Lastly, the Group will continue to prioritise its strategic investments to maximise the synergies across the segment in promotion and marketing and solutions on lottery related software systems and equipment. The Group will continue to dedicate its commitment and support to grow its business to further capitalise on diversification opportunities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the Reporting Period, 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 CG 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 since the Listing Date.

In the opinion of the Directors, the Company has complied with all applicable code provisions of the CG Code for the Reporting Period.

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 for the Reporting Period.

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

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.

Review of Interim Results

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023, 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. The audit committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Period.

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 after deducting professional fees, underwriting commissions and other related listing expenses (the “**IPO proceeds**”). The Over-allotment Option has not been exercised and the Over-allotment Option had lapsed on 6 November 2022.

As at 30 June 2023, IPO proceeds of HK\$60.2 million has been utilised. An analysis of the net proceeds from the Listing Date up to 30 June 2023 is set out below:

	Approximate % of total IPO proceeds %	Allocated use of actual IPO proceeds HK\$ million	Utilised IPO proceeds as of 30 June 2023 HK\$ million	IPO proceeds unused balance as of 30 June 2023 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	24.7	17.8	On or before 31 December 2024
Further developing and expanding our supplier base and types of virtual goods on offer	26.7	26.9	15.8	11.1	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	4.7	5.3	On or before 31 December 2024
Total	100.0	100.7	60.2	40.5	

As at 30 June 2023, the amount of unutilised net proceeds amounted to approximately HK\$40.5 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 30 June 2023, 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.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus and this announcement, the Group did not have any future plans for material investments or capital assets as at 30 June 2023.

Subsequent Events

As at the date of this announcement, there was no other significant event subsequent to 30 June 2023.

Publication of the 2023 Interim Condensed Consolidated Results Announcement and Interim Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.regopimc.com). The interim report for the six months ended 30 June 2023 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 due course.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

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

“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
“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
“FY2023”	the financial year ended on 31 December of the year 2023
“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
“Reporting Period”	the six months ended 30 June 2023
“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, 31 August 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.