
LETTER FROM THE BOARD



Rego Interactive Co., Ltd **(潤 歌 互 動 有 限 公 司)**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2422)

Executive Directors

Mr. Chen Ping (*Chairman*)
Mr. Tian Huan (*Chief Executive Officer*)
Mr. Zhang Yongli (*Chief Operating Officer*)
Mr. Fan Lianshun
Mr. Xia Yuanbo (*Vice President of Operations*)
Ms. Zeng Zhen

Independent non-executive Directors

Ms. Hu Huijun
Mr. Wan Lixiang
Mr. Zhao Zhongping

Registered office

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*Head office and principal place of
business in China*

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Yinhu Street
Fuyang District
Hangzhou, PRC

20 November 2023

*To the Qualifying Shareholders and,
for information only,
the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

Reference is made to the Announcement whereby the Board announced, among other matters, the Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.2 per Rights Share, to raise up to approximately HK\$100 million before expenses by issuing up to 500,000,000 Rights Shares, to the Qualifying Shareholders. The Rights Issue is not underwritten and will not be extended to the Non-Qualifying Shareholder(s) (if any).

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The purpose of this Prospectus is to provide you with, among others things, further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you, together with the financial and other information of the Group.

RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Shares held on the Record Date by the Qualifying Shareholders
Subscription Price	:	HK\$0.2 per Rights Shares
Number of Shares in issue as at the Latest Practicable Date	:	1,000,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 500,000,000 Rights Shares (assuming no change in the number of Shares in issue from the date of this Prospectus up to and including the Record Date)
Net price per Rights Shares (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.195 per Rights Share
Aggregate nominal value of the Rights Shares to be issued	:	Up to US\$500,000
Number of Shares in issue immediately following the completion of the Rights Issue	:	Up to 1,500,000,000 Shares (assuming there is no change in the number of Shares in issue on or before the Record Date)
Status	:	The Rights Shares, when allotted, issued and fully paid, will rank <i>pari passu</i> in all respects among themselves and with the Shares then in issue
Gross proceeds from the Rights Issue (before expenses)	:	Up to approximately HK\$100 million before expenses (assuming there is no change in the number of Shares in issue on or before the Record Date)

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Net proceeds from the Rights Issue : Up to approximately HK\$99 million (assuming there is no change in the number of Shares in issue on or before the Record Date)

As at the Latest Practicable Date, the Company has no outstanding convertible securities, derivatives, options or warrants in issue or similar rights which confer any right to subscribe for, or convert or exchange into, Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no new Shares (other than the Rights Shares) are allotted and issued and no Shares are bought back on the Record Date, the nil-paid Rights Shares proposed to be provisionally allotted represent:

- (i) approximately 50% of the Company's total number of issued Shares as at the Latest Practicable Date; and
- (ii) approximately 33.3% of the Company's total number of issued Shares as enlarged by the allotment and issue of the Rights Shares (assuming no change in the number of Shares in issue other than the allotment and issue of the Rights Shares).

Rights Issue on a Non-underwritten Basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. There is no minimum amount which must be raised in order for the Rights Issue to proceed.

Besides, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained.

Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for his/her/its entitlement under the PAL can be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code.

As at the Latest Practicable Date, the Board has not received any information or undertaking from any Substantial Shareholders of their intention to the Rights Shares to be allotted to them under the Rights Issue.

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The Subscription Price

The Subscription Price of HK\$0.2 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 39.58% to the closing price of HK\$0.331 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 38.46% to the average closing price of approximately HK\$0.325 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 36.91% to the average closing price of approximately HK\$0.317 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 30.31% to the theoretical ex-rights price of HK\$0.287 based on the closing price of HK\$0.331 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 38.84% to the latest published unaudited consolidated net asset value per Share as at 30 June 2023 of approximately HK\$0.327 (based on the net asset value attributable to the owners of the Company as at 30 June 2023 of approximately RMB305.3 million as shown in the Company's interim report for the six months ended 30 June 2023);
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 13.29% of the theoretical diluted price of HK\$0.287 based on the benchmarked price of HK\$0.331 per Share; and
- (vii) a discount of approximately 41.18% to the closing price of HK\$0.340 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined by the Directors with reference to, among other things, the recent market prices of the Shares, the prevailing volatile market conditions and the trading volume of the Shares. During the past six months, the closing price of the Shares has been gradually dropped to HK\$0.331 on the Last Trading Day. The trading of the Shares is inactive in the open market. During the past six months, the daily trading volume of the Shares ranged from 0 to 22,928,000 Shares, representing 0% to 2.29% of the total number of issued shares of the Company. The Board considers that a reasonable discount of the Subscription Price would attract the Qualifying Shareholders to participate in the Rights Issue and accordingly

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maintain their shareholdings in the Company and participate in the future growth of the Group. The Subscription Price represents a discount of approximately 38.84% to the latest published unaudited consolidated net asset value per Share as at 30 June 2023. Having considered that (i) the daily trading volume of the Shares has maintained at a relatively low level; and (ii) the prevailing historical trading prices have already reflected the market valuation of the Company based on its financial results, corporate actions and the prevailing market sentiments, the Directors are of the view that it is reasonable and in the interests of the Company and the Shareholders as a whole to set the Subscription Price at a substantial discount to the latest published unaudited consolidated net asset value per Share.

The Board considers that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.198 (assuming no change in the number of Shares in issue on or before the Record Date).

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the then existing Shares in issue. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of such Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, Qualifying Shareholders must lodge all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) with the Registrar at Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 10 November 2023.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

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Basis of Provisional Allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance by cheque or banker's cashier order for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holdings (or balance of holdings) of less than two (2) Shares will not entitle their holders to be provisionally allotted a Right Share.

Fractional Entitlements

The Company will not provisionally allot and will not accept applications for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market and the proceeds will be retained by the Company for its own benefit, if a premium (net of expenses and stamp duty) can be obtained.

Scale-down of Subscriptions to Avoid Triggering the GO Obligation and Non-compliance with the Public Float Requirement

To avoid the unwitting triggering of any GO Obligation and/or the Company's non-compliance with the Public Float Requirement, all applications for the Rights Shares by the Qualifying Shareholders under the PAL(s), or by transferees of nil-paid Rights Shares, are subject to the scaling-down mechanism as determined by the Company and will be made on the basis that the applications are to be scaled-down by the Company (further details of which are set out below) to such level which does not result in any GO Obligation being triggered by those affected applicant(s) and/or group of affected applicant(s) (together with parties respectively acting in concert with him/her/it/them); and/or the Company's non-compliance with the Public Float Requirement. Any subscription monies for the Scaled-down PAL Shares will be refunded to the affected applicants.

Such scaling-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (a) where the scale-down is necessitated by the exceeding of shareholding by a group of Qualifying Shareholders acting in concert (the "**Affected Group(s) of Shareholders**") rather than an individual Qualifying Shareholder, the allocations of PAL(s) to members of the Affected Group of Shareholders should be made by reference to the number of Shares held by the affected applicants on the Record Date; and (b) the allocations of PAL(s) to different Affected Groups of Shareholders and/or affected individual Qualifying Shareholders should be made by reference to the number of Shares held by the affected applicant(s) and/or affected group(s) of applicant(s) on the Record Date.

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Rights of Overseas Shareholders

The Prospectus Documents are not intended to be, have not been and will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. As at the Latest Practicable Date, there are a total of 11 Overseas Shareholders with registered addresses situated outside Hong Kong in the PRC and the British Virgin Islands, which are interested in aggregate of 769,044,000 Shares, representing approximately 76.90% of the total number of the issued Shares. In compliance with the Listing Rules 13.36(2)(a), the Directors have made enquiries with the legal advisers of the PRC and British Virgin Islands on whether or not under the laws of the PRC and British Virgin Islands, the Rights Issue could be extended to the PRC and British Virgin Islands Shareholders. The legal advisers to the Company as to the PRC laws and British Virgin Islands laws are of view that there are no legal restrictions in the PRC or British Virgin Islands which prohibit the PRC or British Virgin Islands Shareholders from receiving the Rights Shares under the Rights Issue; and there are no requirements of any relevant regulatory body in the PRC or British Virgin Islands that limits the right of the PRC or British Virgin Islands Shareholder to receive the Rights Shares under the Rights Issue. Accordingly, the extension of the Rights Issue to the PRC and British Virgin Islands Shareholders and the offering of the Rights Shares to them will not violate any applicable law or regulations in PRC or British Virgin Islands. It is the responsibility of the PRC and British Virgin Islands Shareholders to observe the local legal and regulatory requirements applicable to them in their own jurisdiction for taking up and onward sale (if applicable) of the Rights Shares including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdictions in connection with the taking up and onward sale of the Rights Shares. Based upon such advice, the Directors have decided to extend the Rights Issue to the PRC and British Virgin Islands Shareholders, and the PRC and British Virgin Islands Shareholders shall therefore be Qualifying Shareholders. The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Compensatory Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.

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Procedures for Acceptance and Payment and/or Transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, by no later than 4:00 p.m. on Monday, 4 December 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “Rego Interactive Co., Ltd – Right Issue Account” and crossed “Account Payee Only”.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Monday, 4 December 2023, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Friday, 24 November 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier’s orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier’s order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier’s order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier’s order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

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If the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Monday, 18 December 2023.

No receipt will be issued in respect of any application monies received.

No action has been taken to permit the offering of the Rights Shares, or the distribution of the Prospectus Documents in any territory other than Hong Kong. The Prospectus Documents should not be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws and regulations. Accordingly, no person receiving the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will be deemed to constitute a warranty and representation from such person to the Company that all local legislation, legal and regulatory requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

Beneficial Owners’ Instructions to their Intermediary

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their nil- paid Rights Shares or “split” their nil-paid Rights Shares by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their Intermediary and provide their Intermediary with instructions or make arrangements with their Intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of their Intermediary in order to allow their Intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or “splitting” in these cases shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other applicable requirements of CCASS.

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Procedures in respect of the Unsubscribed Rights Shares, NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 3 November 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best efforts basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best efforts basis, procure, by not later than 4:00 p.m. on Tuesday, 12 December 2023, placees for all (or as many as possible) of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the relevant No Action Shareholders and Non-Qualifying Shareholders as set out below on pro-rata basis (but rounded down to the nearest cent):

- (i) the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of (i) more than HK\$100, the entire amount will be paid to the relevant No Action Shareholders or Non-Qualifying Shareholders in Hong Kong Dollars only; or (ii) HK\$100 or less, such amount will be retained by the Company for its own benefit.

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The Placing Agreement

Principal terms of the Placing Agreement are summarized as below.

Date	:	3 November 2023
Issuer	:	The Company
Placing Agent	:	uSMART Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period.

The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period	:	The period from Thursday, 7 December 2023 up to 4:00 p.m. on Tuesday, 12 December 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements.
Placing Price	:	The placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the placement process.
Placing Commission	:	Subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 0.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are successfully placed by the Placing Agent.
Placees	:	The Placing Agent shall procure that not less than six placees will take up the Unsubscribed Rights Shares. The placees shall be professional, institutional and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be Independent Third Parties. None of the placees shall become a Substantial Shareholder of the Company upon completion of the Rights Issue.

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Ranking of the Unsubscribed Rights Shares : The placed Unsubscribed Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Placing.

Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;
- (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iii) Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

The Company shall use its best endeavour to procure the fulfilment of the conditions to the Placing and undertakes to inform the Placing Agent promptly of any matter or circumstance which comes to the attention of it and indicating that any of such conditions being unable or fail to fulfil. If any of such conditions have not been fulfilled by the Placing Long Stop Date (as defined below) or become incapable of being fulfilled (unless extended by mutual consent of the Company and the Placing Agent), then all respective rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement and none of the parties thereto shall have any claim against any other in respect of the Placing.

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- Termination : If any of the following events occur at any time prior to 6:00 p.m. on the first Business Day after the last day of the Placing Period (the “**Placing Long Stop Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the date of completion of the Placing provided that such notice is received by the Company prior to 6:00 p.m. on the Placing Long Stop Date, terminate the Placing Agreement without liability to the other parties and, subject to clauses in the Placing Agreement which survives termination, the Placing Agreement shall thereupon cease to have effect and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:
- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
 - (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material breach of any of the representations and warranties by the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

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- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

The Unsubscribed Arrangements are in compliance with the requirements under Rule 7.21(1)(b) under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) given that the Unsubscribed Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Directors and the Placing Agent confirm that the Placing Agent is an Independent Third Party. The terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

Share Certificates and Refund Cheques for Rights Issue

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be despatched by ordinary post on or before Monday, 18 December 2023 to those persons who have validly accepted and paid for the Rights Shares to the registered address or, in case of joint applicants, to the registered address of the applicant whose name first appears in the register of members of the Company in Hong Kong at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) will be despatched on or before Monday, 18 December 2023 by ordinary post to the registered addresses as aforesaid at the respective applicants' own risks. One share certificate will be issued for all the Rights Shares a Shareholder is entitled to.

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Stamp Duty and Other Applicable Fees and Charges

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch share registrar in Hong Kong, will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for Listing of the Rights Shares

The Company has applied to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 4,000 Rights Shares.

Rights Shares will be Eligible for Admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil- paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in

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writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;

- (b) the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date, and the posting of Prospectus to the Non-Qualifying Shareholders, if any, for their information;
- (c) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (d) the Listing Committee of the Stock Exchange granting, or agreeing to grant (subject to allotment), the listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions as the Company may accept.

None of the above conditions can be waived. If any of the conditions referred to above are not fulfilled at or before 6:00 p.m. on Wednesday, 13 December 2023, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions has been satisfied.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed accordingly.

No Irrevocable Commitments

As at the Latest Practicable Date, the Company has not received any irrevocable commitments to accept or reject the Rights Shares.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in (i) marketing and promotion services; (ii) IT solution services; and (iii) others. 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. Among the Group's business segments, virtual goods sourcing and delivery services has contributed substantial amount of the Group's revenue amounting to approximately RMB28.1 million (approximately 40.8% of the total revenue) for the six months ended 30 June 2023. Moreover, the Group expanded the services from virtual goods sourcing and delivery services to tangible goods sourcing and delivery, covering mainly daily necessities from late June 2023, and contributed revenue of approximately RMB9.3 million up to September 2023. In light of the success in the development of our virtual goods sourcing and delivery services, the Directors are of the view that the expansion of services to also cover tangible goods could create synergy and supplement to the Group's virtual goods sourcing and delivery services, by offering more choices of goods to our existing customers and expand our customer base. Despite the synergy to be brought to the Group, due to the strict infection control measures adopted by the PRC

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Government during the years from 2020 to late 2023, which has severely restricted the traffic of people and goods in the PRC in the past few years, the Group has taken a prudent approach that any expansion of business involving the sale of tangible goods should only be planned and implemented upon the substantial relief of restrictive measures in the PRC. The Group has been monitoring the market condition and waiting for a good timing and opportunity to expand its goods sourcing and delivery services from virtual to tangible items. Until December 2022, the PRC Government announced the relief of all infection control measures, and allowed the free traffic of people and goods within the country. As a result, demand for tangible goods rebound and logistics services resumed active. Pursuant to the discussion by the Board of Directors in February 2023, the Group considered that it was the appropriate timing to tap into the sourcing and delivery of tangible goods business. As such, the Group has been actively looking for appropriate acquisition targets since February 2023 with an aim to complete the acquisition, settle the consideration by cash and implement the expansion plan in the first quarter of 2024. The Company will make further announcement(s) on details and progress of the acquisition as and when appropriate.

As at the date of this prospectus, the Group has been actively negotiating with a PRC based company whose principal business is the provision of e-commerce solutions to its brand partners mainly derived from product sales, for potential acquisition of its entire share capital, which has commenced business relationship with established e-commerce platforms operators in the PRC and has demonstrated rapid revenue growth potential in recent years. To leverage on the rapid development of e-commerce in the PRC, the Directors believe that the proposed acquisition would bring great benefit for the Group's expansion and development of the goods sourcing and delivery services business. By expanding the Group's existing virtual goods delivery services to cover tangible goods via e-commerce platforms, the Directors are of the view that our Group could benefit from such strategic acquisition to enlarge our Group's customer base and diversify our Group's business profile. In view of this, it would be beneficial to the Group's business development if the required funding could be ready as soon as practicable. The Directors consider it would be in the interests of the Company and its Shareholders as a whole. As at the Latest Practicable Date, the Group is still in negotiation with the target company and there is no further update on the proposed acquisition since the date of the Announcement.

The principal business of the target company is the provision of e-commerce solutions to its brand partners mainly derived from product sales. The target company regularly cooperates with established e-commerce platforms operators in the PRC. Through collecting group orders from online store operating on e-commerce platforms, the target company purchased tangible goods such as daily necessities directly from brand owners and deliver the products to the end customers. Based on the target company's business model, most of its revenue is derived from the differences between cost of goods it purchased and its sales price of the goods.

Based on the Group's latest published unaudited financial statements as at 30 June 2023, the size of the proposed acquisition is expected to amount to a major transaction of the Company. Since our cash and cash equivalent decreased by RMB38.6 million as at 31 December 2022 to RMB148.2 million as at 30 June 2023, and the Group has to maintain sufficient amount

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of funds for satisfying daily operation need for a reasonable period of time. External funding is required for completion of the acquisition.

The net proceeds from the Rights Issue after deducting the expenses are estimated to be up to approximately HK\$99.0 million (assuming no change in the number of Shares in issue on or before the Record Date). The Company intends to apply 65% (approximately HK\$64.35 million) of the net proceeds for an acquisition of a PRC company with principal business on delivery of physical goods for e-commerce platform operators; 25% (approximately HK\$24.75 million) of the net proceeds for the development and expansion of virtual and physical goods delivery business; and 10% (approximately HK\$9.90 million) of the net proceeds for general working capital.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above intended uses. The Company shall proceed with the proposed acquisition with self-owned capital to fund the outstanding acquisition costs. In the event where the proposed acquisition could not be completed, the Company would look for and acquire alternative PRC company with similar structure and principal business on sourcing and delivery of physical goods for e-commerce platform operators with the 65% of the net proceeds to be raised from the Rights Issue. Given the rapid development of the e-commerce market, companies of similar size with similar principal business could be located with reasonable costs.

Qualifying Shareholders who elect not to participate in the Rights Issue will have the opportunity to sell the nil-paid Rights Shares in the market while Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue will have the opportunity to acquire additional nil-paid Rights Shares in the market.

The Directors consider that the Rights Issue provides a good opportunity for the Group to strengthen its capital base without incurring debt financing cost and to enhance its financial position, while at the same time the Rights Issue will enable the Shareholders to participate in the future development of the Group. Therefore, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The Group has considered fund-raising by issuing debt securities or debt financing but the Board considers that any debt financing or borrowings for the time being would carry interest expenses and may require the provision of security, and creditors will rank before the Shareholders. Therefore, the Board has ruled out debt financing as a source for raising funds in this occasion. The Group has also considered alternative equity financing activities such as placing and subscription of shares. However, the Directors noted that such equity financing activities will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise.

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The Board considered that the Rights Issue would be more favourable and attractive to the Shareholders than an open offer because it would allow Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

In light of the above, the Board is of the view that the Rights Issue is the appropriate fund-raising method in this occasion and that the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up their respective entitlements to the Rights Shares in full); (iii) immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares and none of the Unsubscribed Rights Shares has been placed by the Placing Agent); (iv) immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares and none of the Unsubscribed Rights Shares has been placed by the Placing Agent except for the Controlling Shareholders); and (v) immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares and all the Rights Shares has been placed by the Placing Agent):

	As at the date of this Prospectus		Immediately after completion of the Rights Issue							
			Assuming all Qualifying Shareholders take up their respective entitlements to the Rights Shares in full (i.e. no Unsubscribed Rights Shares to be placed by the Placing Agent)		Assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares and none of the Unsubscribed Rights Shares has been placed by the Placing Agent ^{Note 2}		Assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares and none of the Unsubscribed Rights Shares has been placed by the Placing Agent except for the Controlling Shareholders ^{Note 4}		Assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares and all the Rights Shares has been placed by the Placing Agent	
			Approximate % of issued No. of Shares	Approximate % of issued Shares	Approximate % of issued No. of Shares	Approximate % of issued Shares	Approximate % of issued No. of Shares	Approximate % of issued Shares	Approximate % of issued No. of Shares	Approximate % of issued Shares
Directors										
Mr. Tian Huan	182,130,000	18.21	273,195,000	18.21	182,130,000	18.21	273,195,000	21.59	182,130,000	12.14
Mr. Chen Ping	290,000,000	29.00	435,000,000	29.00	290,000,000	29.00	435,000,000	34.38 ^{Note 1}	290,000,000	19.33
Mr. Zhang Yongli	58,620,000	5.86	87,930,000	5.86	58,620,000	5.86	87,930,000	6.95	58,620,000	3.91
Controlling Shareholders ^{Note 3}	530,750,000	53.08	796,125,000	53.08	530,750,000	53.08	796,125,000	62.92	530,750,000	35.38
Public Shareholders										
Independent placees	-	-	-	-	-	-	-	-	500,000,000	33.33
Other public shareholders	469,250,000	46.92	703,875,000	46.92	469,250,000	46.92	469,250,000	37.08 ^{Note 2}	469,250,000	31.28
Total	1,000,000,000	100.00	1,500,000,000	100.00	1,000,000,000	100.00	1,265,375,000	100.00	1,500,000,000	100.00

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Notes:

1. To avoid triggering of any GO Obligation and assuming none of the Qualifying Shareholders has taken up any of their respective entitlements to the Rights Shares except for the Controlling Shareholders, Mr. Chen Ping (through Vicen Investments Limited) will subscribe and hold up to 379,485,962 Shares representing 29.99% of the total issued Shares upon completion of the Rights Issue.
2. This scenario is for illustrative purpose only. The Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules.
3. As at the Latest Practicable Date, Tanshin Investments Limited (a company wholly owned by Mr. Tian Huan), Vicen Investments Limited (a company wholly owned by Mr. Chen Ping) and Sprus Investments Limited (a company wholly owned by Mr. Zhang Yongli) beneficially owned 18.21%, 29% and 5.86% of the issued share capital of the Company, respectively. On 22 October 2021, Mr. Tian Huan, Mr. Chen Ping and Mr. Zhang Yongli entered into an acting-in-concert agreement. By virtue of the acting-in-concert agreement, Tanshin Investments Limited, Vicen Investments Limited and Sprus Investments Limited are collectively entitled to exercise voting rights of 53.08% of the issued share capital of the Company. As such, Mr. Tian Huan, Mr. Chen Ping, Mr. Zhang Yongli, Tanshin Investments Limited, Vicen Investments Limited and Sprus Investments Limited are regarded as a group of Controlling Shareholders of the Company as at the Latest Practicable Date.
4. This scenario is for illustrative purpose only. Since the Controlling Shareholders are holding 53.08% of the issued share capital of the Company as at the date of this Prospectus, in the event that any subscription of the Rights Shares by the Controlling Shareholders that may result in non-compliance of the Public Float Requirement, the Controlling Shareholders will not, and the Company will procure the Controlling Shareholders not to subscribe such Rights Shares. The Company will closely monitor the level of acceptance from time to time during the period from the despatch of the Prospectus Documents to the latest time for acceptance and payment for the Rights Issue, and will commence necessary steps to ensure compliance with Rule 8.08(1) of the Listing Rules.

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PREVIOUS FUND-RAISING EXERCISE OF THE COMPANY

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 Board confirmed that the Group will continue to carry out its business and business development plans as disclosed in its prospectus in respect of the Global Offering dated 30 September 2022. The Company does not intend to scale down the operation of any of its existing business. The Company confirms that it would not use any of the IPO proceeds to fund the proposed acquisition. Save for the initial public offering, there has been no equity fund-raising activities carried out by the Company in the 12 months immediately preceding the date of this Prospectus. As at the date of this Prospectus, IPO proceeds of HK\$65.3 million has been utilised. An analysis of the net proceeds from the date of listing of the Company up to the date of this Prospectus is set out below:

	Approximate % of total IPO proceeds	Utilised IPO proceeds as of date of this Prospectus (HK\$ million)	Unused IPO proceeds as of date of this Prospectus	Proposed timetable for utilising the remaining balance of IPO proceeds
Developing and expanding our online marketing channels and resources for our marketing and promotion services	42.2	26.2	16.3	On or before 31 December 2024
Further developing and expanding our supplier base and types of virtual goods on offer	26.7	18.0	8.9	On or before 31 December 2024
Acquiring companies in marketing and related industries	14.9	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	On or before 31 December 2024
General working capital	9.9	6.1	3.9	On or before 31 December 2024
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Total	<u>100.0</u>	<u>65.3</u>	<u>35.4</u>	

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WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Listing Committee granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” above in this Prospectus.

Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

By Order of the Board
Rego Interactive Co., Ltd
Chen Ping
Chairman and executive Director