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Rego Interactive Co., Ltd
(潤歌互動有限公司)

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

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors of Rego Interactive Co., Ltd is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows. The Annual Results have been reviewed by the audit committee of the Company.

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

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Year-on-year
	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	191,062	256,591	-25.5
Gross profit	101,667	133,458	-23.8
Profit before income tax	14,899	81,172	-81.6
Profit for the year attributable to owners of the Company	12,558	68,503	-81.7
Adjusted net profit <i>(Note)</i>	21,713	81,200	-73.3

Note: Please refer to “Non-HKFRS Measures: Adjusted Net Profit” on Page 15 of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a marketing service provider based in the PRC. Since the commencement of our operation in traditional telecommunications marketing and promotion businesses in the PRC in 2015, we have strived to provide our customers with marketing services that are comprehensive and tailored to their corporate needs. Over the years, we have endeavoured to expand our capacities in providing marketing services in accordance with the prevailing market trends and developments. We offer (i) promotion and advertising services, including (a) traditional marketing and promotion services; (b) advertisement placement services; and (c) advertisement distribution services; and (ii) virtual goods sourcing and delivery services.

In addition, with business diversification, enhanced market penetration and potential synergies from possible further business collaboration in mind, we also provide IT solutions services (including mobile game and software development and maintenance services and solutions on lottery related software systems and equipment) in an effort to enhance the quality and variety of our product and service offerings.

We have achieved our business diversification by means of constant upgrades to our business through both organic growth and acquisitions, as a result of which there has been a corresponding increase in our customer base and the variety of the forms and channels in which our marketing services have been delivered.

During 2023, 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 placements. Along with intensified competition in the industry, the Group's profitability was negatively impacted to a certain extent. We recorded a decrease of approximately 25.5% in our overall revenue for the year ended 31 December 2023 as compared to the year ended 31 December 2022. Such decrease was mainly attributable to the decline in revenue from our advertisement placement services and advertisement distribution services. At the same time, our Group had implemented more prudent policy on the selection of customers to manage the credit risks of customers' repayment due to the uncertainty in economic for all business segments. Our group had focused on the following developments aspects during 2023:

Virtual Goods Sourcing and Delivery Services

During 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)在羸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 on 31 May 2023 in terms of acquisition. 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 had expanded the type of virtual goods and the customer base in the second half

of 2023 through the acquisition. The customers from financial services and institutions and insurance authorities industries covered over 40% of the customers base of ASMKT, which aligned with the direction with the Group on the selection of customers to minimise the credit risks with high quality customers. Our group believed that the customers based from ASMKT can bring the future corporation opportunities on the cross segment synergies of the Group.

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

Tangible Goods Sourcing and Delivery Services

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 contributed RMB18.6 million revenue by 8 customers to the Group in the second half of 2023.

Solutions on Lottery Related Software and Equipment

In order to further the Group's reach and access in the lottery sector, we continued 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 solutions on lottery related software systems in Sports Lottery. We considered that the investment in Mingzhi will help the Group to build on its 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 continued 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 2022 and 2023, 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 targeted to enhance our market presence in various provinces or regions in PRC.

OUTLOOK OF 2024

In terms of the market outlook in 2024, 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.

In November 2023, the Group had entered an agreement with China Sports Lottery Administration Centre of the General Administration of Sport (國家體育總局中國體育彩票管理中心) about using the lottery marketing tickets as the marketing activities. Based on the agreement, our Group will approach with the interested customers for the lotter marketing tickets as the means of marketing tools in 2024.

At the same time, we will focus on the virtual goods sourcing and delivery services and tangible goods sourcing on the type of goods that can be provided for our customers and the new customers opportunities on the lottery marketing tickets to achieve our Group cross segment synergies. Our group will be actively negotiated with the target company which provision of e-commerce solutions to its brand partners mainly derived from product sales to achieve the expansion via e-commerce platforms.

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.

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 the 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.

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 year ended 31 December 2023, we generated our revenue from the provision of marketing and promotion services and IT solutions services. The following table sets forth the breakdown of our revenue by business segments and sub-segments for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Marketing and promotion services				
Promotion and advertising services				
– Traditional marketing and promotion services	23,074	12.1	8,967	3.5
– Advertisement placement services	4,899	2.6	14,091	5.5
– Advertisement distribution services	38,082	19.9	133,711	52.1
Virtual goods sourcing and delivery services	68,420	35.8	54,777	21.3
Tangible goods sourcing and delivery services	18,594	9.7	–	–
Sub-total	153,069	80.1	211,546	82.4
IT solutions services				
Mobile game and software development and maintenance services	5,858	3.1	12,861	5.0
Solutions on lottery related software systems and equipment	32,132	16.8	32,111	12.5
Sub-total	37,990	19.9	44,972	17.5
Others (Note)	3	–	73	0.1
Total	191,062	100.0	256,591	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 years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Promotion and advertising services	66,055	43.2	156,769	74.1
Virtual goods sourcing and delivery services	68,420	44.7	54,777	25.9
Tangible goods sourcing and delivery services	18,594	12.1	–	–
Total	153,069	100.0	211,546	100.0

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

Our revenue from marketing and promotion services decreased by 27.6%, from approximately RMB211.5 million for the year ended 31 December 2022 to approximately RMB153.1 million for the year ended 31 December 2023. For the year ended 31 December 2023, the revenue generated from our marketing and promotion services accounted for 80.1% of our total revenue.

Revenue from marketing and promotion services by type of marketing channels

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

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Online	149,369	97.6	208,896	98.7
Offline	3,700	2.4	2,650	1.3
	<u>153,069</u>	<u>100.0</u>	<u>211,546</u>	<u>100.0</u>

Our revenue attributable to online marketing services amounted to RMB149.4 million and RMB208.9 million, representing 97.6% and 98.7% of our total revenue from marketing and promotion services for the years ended 31 December 2023 and 2022, respectively. We consider that the expansion of our online marketing services was and will continue to be one of the major factors for the business growth of our marketing and promotion services therefore the % of online proportion were kept constant at over 95%.

Revenue from marketing and promotion services by type of customers

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

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Advertising agents	67,977	44.4	173,305	81.9
Enterprises	85,092	55.6	38,241	18.1
	<u>153,069</u>	<u>100.0</u>	<u>211,546</u>	<u>100.0</u>

Revenue from marketing and promotion services – Advertisement placement services

Our revenue from advertisement placement services amounted to RMB4.9 million and RMB14.1 million for the years ended 31 December 2023 and 2022, respectively, representing 3.2% and 6.7% of our revenue from marketing and promotion services. In FY2023 and FY2022, the number of our customers of the advertisement placement services amounted to 126 and 180, 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; 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 year ended 31 December 2023.

Revenue from marketing and promotion services – Advertisement distribution services

Our revenue from advertisement distribution services amounted to RMB38.1 million and RMB133.7 million for the years ended 31 December 2023 and 2022, respectively, representing 24.9% and 63.2% of our revenue from marketing and promotion services. In FY2023 and FY2022, the number of our customers of the advertisement distribution services amounted to 4 and 16, 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; 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 years ended 31 December 2023 and 2022 by the types of the mobile app connected to our Rego SDK:

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Financial services	38,082	100.0	113,767	85.1
Utility and lifestyle	–	–	10,492	7.8
E-commerce platform	–	–	5,435	4.1
Others	–	–	4,017	3.0
	38,082	100.0	133,711	100.0

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

We generated revenue of RMB68.4 million and RMB54.8 million, respectively, from our virtual goods sourcing and delivery services, representing approximately 44.7% and 25.9% of our revenue from marketing and promotion services for the years ended 31 December 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 RMB24.9 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 FY2023 and FY2022:

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Top-up for telecommunication services	21,376	31.2	19,555	35.7
Online vouchers and interests (<i>Note 1</i>)	33,178	48.5	24,584	44.9
Gift cards of gas stations	13,866	20.3	10,636	19.4
Others	–	0.0	2	0.0
Total	68,420	100.0	54,777	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 year indicated:

	For the year ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
GMV	1,893,775	1,155,506
Less: purchase costs of the virtual goods	<u>(1,825,355)</u>	<u>(1,100,729)</u>
Revenue	<u>68,420</u>	<u>54,777</u>

The total GMV of the virtual goods offered by us under our virtual goods sourcing and delivery services amounted to RMB1,893.8 million and RMB1,155.5 million for the year ended 31 December 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 101 in FY2022 to 3,263 in FY2023.

Customers of our virtual goods sourcing and delivery services came from different industry include (i) advertising agents; (ii) financial services and institutions; (iii) insurance authorities; (iv) telecom operators; and (v) others. The table set out the total number of customers in different industries for FY2023 and FY2022:

	For the year ended 31 December			
	2023		2022	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>customers</i>		<i>customers</i>	
Advertising agents	17	40.5	12	70.6
Financial services and institutions	14	33.3	–	–
Insurance authorities	3	7.1	2	11.8
Telecom operators	2	4.8	–	–
Others	6	14.3	3	17.6
	<u>42</u>	<u>100.0</u>	<u>17</u>	<u>100.0</u>

Revenue from tangible goods sourcing and delivery services

We generated revenue of RMB18.6 million from our tangible goods sourcing and delivery services, representing approximately 12.1% of our revenue from marketing and promotion services for the year ended 31 December 2023. As discussed in interim report, we had expanded our services from 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 had started contributing revenue to the Group in the second half of FY2023.

We aimed at providing more choices for our customers on the selection on the products for their marketing purposes. During FY2023, we had offered 957 different type of stock keeping unit (“SKU”) with over 370 brands. The following table set forth the breakdown of our revenue from tangible goods sourcing and delivery services in the year ended 31 December 2023 by type of products sold:

	For the year ended 31 December 2023	
	<i>RMB'000</i>	<i>%</i>
Daily necessities	10,553	56.8
Drinks and Food	2,209	11.9
Seasoning	1,879	10.1
Liquor	273	1.5
Others	3,680	19.7
	<hr/>	<hr/>
	18,594	100.0
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2. Revenue from our IT Solution Services

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

Our revenue from IT solutions services amounted to RMB38.0 million and RMB45.0 million for FY2023 and FY2022, respectively. Such decrease by 15.5% 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 remained constant from approximately RMB32.1 million for the year ended 31 December 2022 to approximately RMB32.1 million for the year ended 31 December 2023.

Our total revenue decreased by RMB65.5 million, or 25.5%, from RMB256.6 million for the year ended 31 December 2022 to RMB191.1 million for the year ended 31 December 2023, which primarily reflected a decrease of RMB58.5 million in revenue from marketing and promotions services segment and a decrease of RMB7.0 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 cost; (ii) cost of goods sold; and (iii) employee benefit expenses.

Our total cost of sales decreased by RMB33.7 million, or 27.4%, from RMB123.1 million for the year ended 31 December 2022 to RMB89.4 million for the year ended 31 December 2023, which was primarily attributable to the decrease of traffic acquisition cost in promotion and advertising services, except for tangible goods sourcing and delivery services, from approximately RMB101.1 million for the year ended 31 December 2022 to approximately RMB47.4 million for the year ended 31 December 2023 which presented 53.1% of reduction which aligned with the decrease in revenue of promotion and advertising services, except for tangible goods sourcing and delivery services, with 57.9% reduction compared with FY2022. The traffic acquisition costs representing approximately 53.0% and 82.1% of our cost of sales for the years ended 31 December 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 RMB101.7 million for the year ended 31 December 2023, representing a decrease of approximately 23.8% as compared to approximately RMB133.5 million for the year ended 31 December 2022, which was mainly attributable to the revenue reduction in advertisement placement services and 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 slightly from 52.0% for the year ended 31 December 2022 to 53.2% for the year ended 31 December 2023.

Other Income and Other Gains or Losses, Net

Our other income and other gains or losses primarily consist of (i) bank interest income; (ii) government grants; (iii) net valuation losses in fair value of financial assets at fair value through profit or loss; (iv) others; and (v) foreign exchange differences.

Our other income and other gains or losses, net decreased by approximately RMB14.0 million, or 103.7%, from approximately gains of RMB13.5 million for the year ended 31 December 2022 to approximately losses of RMB0.5 million for the year ended 31 December 2023. Such changes was primarily attributable to: (i) the decrease on the government grants by approximately RMB6.2 million, or 58.6%, which were one-off basis for the year ended 31 December 2022; (ii) net valuation losses in fair value of financial assets at fair value through profit or loss of RMB10.1 million for the year ended 31 December 2023, which was comprised with fair value loss on the investment in financial products issued by Zhongrong International Trust Co., Ltd by RMB10.0 million and partially offset by the increase on bank interest income by approximately RMB2.5 million, or 820.5%, 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. For the year ended 31 December 2023, there were the gain of RMB0.9 million (2022: loss of RMB1.7 million) from the translation of listing proceeds resulting from the movement of RMB against HKD exchanges rates.

Selling and Distribution Expenses

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

Our selling and distribution expenses increased by approximately RMB4.8 million, or 60.0%, from approximately RMB8.0 million for the year ended 31 December 2022 to approximately RMB12.8 million for the year ended 31 December 2023. Such increase was primarily due to the acquisition of ASMKT, there were increase in numbers of staff in selling expenses which contributed of approximately numbers of RMB6.6 million employees' costs increased by RMB2.9 million and the entertainment and travelling costs were increased by approximately of RMB1.3 million compared with the year ended 31 December 2022.

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 RMB16.0 million, or 86.0%, from approximately RMB18.6 million for the year ended 31 December 2022 to approximately RMB34.6 million for the year ended 31 December 2023. Such increase was primarily due to (i) the increase in employee benefits expenses by approximately RMB7.1 million, or 71.7% 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 RMB9.9 million compared to the year ended 31 December 2022; (ii) the increase of professional fees in intermediary service fees of RMB3.5 million, among others, the listing of the Company and the professional fees with further business expansion and the corporate transactions had during FY2023; (iii) the write-off of property, plant and equipment of RMB1.1 million in FY2023.

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 RMB2.1 million, or 11.1%, from approximately RMB18.9 million for the year ended 31 December 2022 to approximately RMB21.0 million for the year ended 31 December 2023.

Finance Costs

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

Our finance costs increased by approximately RMB1.0 million, or 62.5%, from approximately RMB1.6 million for the year ended 31 December 2022 to approximately RMB2.6 million for the year ended 31 December 2023. Such increase was primarily due to the increase of approximately RMB1.0 million in the interest expenses of our bank borrowings resulting from the increase in bank borrowings in line with business expansion.

Income Tax Expense

Our income tax expenses decreased by approximately RMB10.4 million, or 81.9%, from approximately RMB12.7 million for the year ended 31 December 2022 to approximately RMB2.3 million for the year ended 31 December 2023. Our effective income tax rate increased from 15.6% for the year ended 31 December 2022 to 15.7% for the year ended 31 December 2023, which was because the tax effect of expense non-deductible for tax purpose on the provision for impairment losses on financial assets was increased compare with FY2022 and the deferred tax of approximately RMB1.9 million on the provision for impairment losses of trade receivables were recognised in 2023.

Profit for the Year

Our profit for the year decreased by approximately RMB55.9 million, or 81.7%, from approximately RMB68.5 million for the year ended 31 December 2022 to approximately RMB12.6 million for the year ended 31 December 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:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	12,558	68,503
Add:		
Listing expenses	–	10,988
Foreign exchange differences	(910)	1,709
Change in fair value of financial assets at fair value through profit or loss	10,065	–
Non-HKFRS Measure		
Adjusted net profit	21,713	81,200

Employees and Remuneration Policies

As of 31 December 2023, we had 257 (2022: 181) full-time employees, the majority of whom were based in Hangzhou, China, Shanghai, 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 RMB49.5 million for the year ended 31 December 2023 (For the year ended 31 December 2022: approximately RMB39.9 million). As required by the PRC laws and regulations, we have made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, maternity leave insurance and occupational injury.

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

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

Contingent Liabilities and Indebtedness

As at 31 December 2023, the Group had the interest-bearing borrowings of RMB156.2 million which consists RMB30.0 million was unsecured and guaranteed, RMB48.2 million was secured and guaranteed and HK\$78.0 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 31 December 2023 and 2022 were repayable within one-year or on demand. In addition, as at 31 December 2023, the Group had lease liabilities of RMB169,000 (As at 31 December 2022: RMB351,000).

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

Liquidity, Financial and Capital Resources

During the year ended 31 December 2023, we financed our capital expenditure and working capital requirements mainly through bank borrowings, the proceeds received from the Global Offering of the Company's shares in October 2022 and the proceeds received from the Rights Issue in December 2023. As at 31 December 2023, we had bank borrowings of approximately RMB156.2 million (As at 31 December 2022: RMB38.0 million). The range of effective interest rates on the borrowings was 2.8% to 5.0% (As at 31 December 2022: 3.6% to 5.5%) per annum for the year ended 31 December 2023. The Group's gearing ratio as of 31 December 2023 was 39.8% (As at 31 December 2022: 12.9%). As at 31 December 2023, the Group's cash and cash equivalents were mainly held in RMB and HKD, and the cash and cash equivalents remain constant from RMB186.8 million as of 31 December 2022 to RMB186.5 million.

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

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

On 31 May 2023, the Group acquired 100% equity interest in ASMKT, a company whose principally engaged in loyalty marketing services through virtual goods sourcing and delivery and established in the 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.

On 22 December 2023, the Company entered into a legally binding memorandum of understanding, pursuant to which the Company will acquire 100% of the equity interest in Shanghai Maichun Brand Management Company Limited* (上海麥純品牌管理有限公司), a company established in PRC, and is principally engaged in the provision of e-commerce solutions to its brand partners on product sales.

Our Directors are of the view that our Group could benefit from the potential acquisition of Shanghai Maichun Brand Management Company Limited in order to enlarge our Group's supplier and customer base and diversify our Group's business profile.

For further details, please refer to the announcement of the Company dated 22 December 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 Year.

Capital Commitments

There are no significant capital commitments outstanding provided for as at 31 December 2023 (As at 31 December 2022: nil).

Charge on the Group's Assets

As at 31 December 2023, the Group's certain trade receivable and pledged bank deposits with carrying amount of RMB8,850,000 and RMB44,831,000 respectively were pledged to secure the bank borrowings (As at 31 December 2022: nil).

Future Plan for Material Investment and Capital Assets

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

Top Customers

Our top five customers accounted for 56.1% and 66.7% of our revenue for the years ended 31 December 2023 and 2022, respectively. Our largest customer accounted for 19.6% and 42.1% of our revenue for the years ended 31 December 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 Year.

Top Suppliers

Our top five suppliers accounted for 68.5% and 77.4% of our total costs of sales for the years ended 31 December 2023 and 2022, respectively. Our largest supplier accounted for 32.5% and 61.4% of our total costs of sales for the years ended 31 December 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 Year.

Key Financial Ratio

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

	As of 31 December 2023	As of 31 December 2022
Profitability ratios		
Gross profit margin ⁽¹⁾	53.2	52.0
Net profit margin ⁽²⁾	6.6	26.7
Adjusted net profit margin under HKFRS measures ⁽³⁾	11.4	31.6
Return on equity ⁽⁴⁾	3.2	23.0
Return on total assets ⁽⁵⁾	2.0	17.1
Liquidity ratios		
Current ratio ⁽⁶⁾	2.4 times	3.7 times
Quick ratio ⁽⁷⁾	2.4 times	3.7 times
Capital adequacy ratios		
Gearing ratio ⁽⁸⁾	39.8%	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 year divided by revenue and multiplied by 100%.
- (2) The calculation of net profit margin is based on profit for the year divided by revenue and multiplied by 100%.
- (3) Calculated based on the adjusted net profit under non-HKFRS measures and calculated by excluding the effect of listing expenses.
- (4) The calculation of return on equity is based on profit for the year divided by ending balance of total equity and multiplied by 100%.

- (5) The calculation of return on total assets is based on profit for the year divided by ending balance of total assets and multiplied by 100%.
- (6) Current ratio is calculated as current assets divided by current liabilities as at the relevant financial year end.
- (7) Quick ratio is calculated as current assets less inventories divided by current liabilities as at the relevant financial year end.
- (8) Gearing ratio is calculated as total debt divided by total equity and multiplied by 100% as at the relevant financial year end. Total debts refer to all interest-bearing bank loans, amounts due to related parties and lease liabilities of our Group as at the end of the respective year.
- (9) Debt to equity ratio is calculated as net debt (representing total debt minus cash and cash equivalent as at the relevant year end) divided by the total equity as at the end of the respective year and multiplied by 100%. As our cash and cash equivalent is higher than our total debts as at 31 December 2022 and 2023, the debt to equity ratio is not applicable to such periods.

Treasury policies

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

Foreign exchange exposure

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

During the year ended 31 December 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. Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company have made arrangements to dispose of the 40,263,600 Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There were no excess application arrangements in relation to the Rights Issue. The Company entered into the Placing Agreement with the Placing Agent and appointed the Placing Agent to place the Unsubscribed Rights Shares to independent placees on a best efforts basis.

On 4 December 2023, 40,263,600 Unsubscribed Rights Shares (each a “**Placing Share**”), representing approximately 8.05% of the total number of Rights Shares available for subscription under the Rights Issue, were subject to the Compensatory Arrangement.

On 12 December 2023, the Company had received twenty four (24) valid acceptances for a total of 459,736,400 Rights Shares provisionally allotted under the Rights Issue, representing approximately 91.95% of the total number of Rights Shares offered under the Rights Issue.

Accordingly, the Rights Issue was under-subscribed by 40,263,600 Rights Shares, representing approximately 8.05% of the total number of the Rights Shares available for subscription under the Rights Issue.

All conditions with respect to the Rights Issue and the Placing set out in the Prospectus have been fulfilled and the Rights Issue and the Placing became unconditional at 4:00 p.m. on Wednesday, 13 December 2023. The gross proceeds raised from the Rights Issue (including the Placing) are approximately HK\$100 million before expenses.

For further details, please refer to the prospectus of the Company dated 20 November 2023 and announcements of the Company dated 6 and 15 December 2023.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	5	191,062	256,591
Cost of sales		<u>(89,395)</u>	<u>(123,133)</u>
Gross profit		101,667	133,458
Other income and other gains or losses, net	6	(495)	13,527
Provision for impairment losses on financial assets		(15,280)	(7,739)
Selling and distribution expenses		(12,791)	(7,950)
Administrative expenses		(34,605)	(18,623)
Research and development expenses		(20,973)	(18,875)
Listing expenses		–	(10,988)
Finance costs		<u>(2,624)</u>	<u>(1,638)</u>
Profit before income tax		14,899	81,172
Income tax expense	7	<u>(2,341)</u>	<u>(12,669)</u>
Profit for the year		<u>12,558</u>	<u>68,503</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
– Exchange differences arising from translation		<u>(320)</u>	<u>3,433</u>
Total comprehensive income for the year		<u>12,238</u>	<u>71,936</u>
Profit for the year attributable to:			
– Owners of the Company		12,558	68,503
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>12,558</u>	<u>68,503</u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Total comprehensive income for the year attributable to:			
– Owners of the Company		12,238	71,936
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>12,238</u>	<u>71,936</u>

(restated)

Earnings per share for the profit attributable to owners of the Company during the year
(expressed in RMB per share)

– Basic and diluted	9	<u>0.01</u>	<u>0.07</u>
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		13,541	17,589
Property, plant and equipment		1,693	647
Right-of-use assets		152	325
Goodwill		25,383	14,342
Prepayment		–	2,696
Deferred tax assets		1,868	–
Financial assets at fair value through profit or loss		12,445	–
		<u>55,082</u>	<u>35,599</u>
Current assets			
Inventories		3,817	2,424
Contract assets		1,452	2,202
Trade receivables	10	165,646	98,111
Prepayments, deposits and other receivables		179,726	74,515
Pledged bank deposits		44,831	–
Restricted bank deposits		351	–
Cash and cash equivalents		186,479	186,849
		<u>582,302</u>	<u>364,101</u>
Total assets		<u>637,384</u>	<u>399,700</u>
Current liabilities			
Trade payables	11	17,030	15,716
Contract liabilities		6,072	7,578
Other payables and accruals		50,918	22,611
Bank borrowings		156,180	38,000
Lease liabilities		169	187
Income tax payable		11,041	13,384
		<u>241,410</u>	<u>97,476</u>
Net current assets		<u>340,892</u>	<u>266,625</u>
Total assets less current liabilities		<u>395,974</u>	<u>302,224</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Contract liabilities		3,074	4,271
Lease liabilities		–	164
Deferred tax liabilities		244	328
		<u>3,318</u>	<u>4,763</u>
Total liabilities		<u>244,728</u>	<u>102,239</u>
NET ASSETS		<u>392,656</u>	<u>297,461</u>
EQUITY			
Share capital		10,349	6,790
Reserves		382,307	290,671
Equity attributable to owners of the Company		392,656	297,461
Non-controlling interests		–	–
TOTAL EQUITY		<u>392,656</u>	<u>297,461</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

31 December 2023

1. GENERAL INFORMATION

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

- Marketing and promotion services
- IT solutions services
- Others

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2023

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

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, none of the new and these amended HKFRS has a material impact on the Group’s results and financial position for the current or prior years.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

(b) Revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants ¹
Amendments to HKFRS 16 HK Int 5 (Revised)	Lease Liability in a Sale and Leaseback ¹ Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss which has been measured at fair value.

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

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

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

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

	Marketing and promotion service <i>RMB'000</i>	IT solutions services <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated Total <i>RMB'000</i>
For the year ended 31 December 2023				
Revenue	153,069	37,990	3	191,062
Cost of sales	(69,434)	(19,961)	–	(89,395)
Segment profit	<u>83,635</u>	<u>18,029</u>	<u>3</u>	<u>101,667</u>
For the year ended 31 December 2022				
Revenue	211,546	44,972	73	256,591
Cost of sales	(107,149)	(15,984)	–	(123,133)
Segment profit	<u>104,397</u>	<u>28,988</u>	<u>73</u>	<u>133,458</u>

Revenue from external customers

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

Non-current assets

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

Information about major customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer "A" from marketing and promotion services	37,473	107,962
Customer "B" from marketing and promotion services	<u>31,232</u>	<u>26,437</u>

5. REVENUE

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

	Marketing and promotion service <i>RMB'000</i>	IT solutions services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2023				
Timing of revenue recognition:				
At a point in time	153,069	24,136	3	177,208
Transferred over time	–	13,854	–	13,854
	<u>153,069</u>	<u>37,990</u>	<u>3</u>	<u>191,062</u>
Total revenue from contracts with customers	<u>153,069</u>	<u>37,990</u>	<u>3</u>	<u>191,062</u>
For the year ended 31 December 2022				
Timing of revenue recognition:				
At a point in time	211,546	35,649	73	247,268
Transferred over time	–	9,323	–	9,323
	<u>211,546</u>	<u>44,972</u>	<u>73</u>	<u>256,591</u>
Total revenue from contracts with customers	<u>211,546</u>	<u>44,972</u>	<u>73</u>	<u>256,591</u>

6. OTHER INCOME AND GAINS/(LOSSES), NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Bank interest income	2,835	308
Government grants (<i>note</i>)	4,394	10,609
Sundry income	1,381	4,319
	<u>8,610</u>	<u>15,236</u>
Other gains/(losses), net		
Exchange gain/(loss)	910	(1,709)
Gain on disposal of property, plant and equipment	50	–
Net valuation losses in fair value of financial assets at fair value through profit or loss	(10,065)	–
	<u>(9,105)</u>	<u>(1,709)</u>
	<u>(495)</u>	<u>13,527</u>

Notes:

For the years ended 31 December 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 years ended 31 December 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 income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2023	2022
	RMB'000	RMB'000
Current income tax – the PRC		
– tax for the year	3,015	12,753
– under provision in respect of prior years	211	–
	<u>3,226</u>	<u>12,753</u>
Deferred tax	<u>(885)</u>	<u>(84)</u>
Income tax expense	<u>2,341</u>	<u>12,669</u>

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

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

- (i) Xi’an Tiantai was accredited as “High and New Technology Enterprise” in 2016 and 2019 under relevant PRC laws and regulation, and subject to a preferential EIT rate of 15% from 1 January 2016 to 31 December 2022. Hangzhou Rego was accredited as “High and New Technology Enterprise” in 2020 under relevant PRC laws and regulation, would be entitled with a preferential EIT rate of 15% from 1 January 2020 to 31 December 2023, and subject to the preferential EIT from 1 January 2022 to 31 December 2023.
- (ii) For ASMKT, 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 years ended 31 December 2023 and 2022.

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

	2023	2022
Profit attributable to owners of the Company (<i>RMB'000</i>)	12,558	68,503 (restated)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>in thousands</i>)	1,211,389	969,474
Basic and diluted earnings per share (<i>expressed in RMB per share</i>)	0.01	0.07

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for current and prior reporting periods has been determined on the assumption that the capitalisation issue has been effective on 1 January 2022 and has been adjusted to reflect the effect of ordinary rights issue completed on 13 December 2023, and the effect of 14,864,000 (2022: Nil) ordinary shares repurchased during the year multiplied by a time weighting factor.

There are no diluted earnings per share because there were no dilutive potential shares in exercise during the years ended 31 December 2023 and 2022. Accordingly, the diluted earnings per share are the same as the basic earnings per share for the years ended 31 December 2023 and 2022.

10. TRADE RECEIVABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Due from third parties	192,489	111,315
– Due from related companies (<i>note</i>)	524	433
	193,013	111,748
Less: Allowance for credit losses	(27,367)	(13,637)
Trade receivables, net	165,646	98,111

Note: The amounts due from related companies of which Mr. Chen and Mr. Fan, the executive directors of the Company is also the substantial shareholders of the 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 reporting periods.

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 month	86,969	94,073
More than 1 month but less than 3 months	49,716	3,676
More than 3 months but less than 6 months	20,189	117
More than 6 months but less than 1 year	2,358	100
More than 1 year	6,414	145
	<u>165,646</u>	<u>98,111</u>

Movements in loss on trade receivables were as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	13,637	5,844
Provision for impairment losses	13,730	7,793
	<u>27,367</u>	<u>13,637</u>

11. TRADE PAYABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	17,030	15,716

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

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 month	12,878	11,334
More than 1 month but less than 3 months	1,713	3,689
More than 3 months but less than 6 months	1,135	1
More than 6 months but less than 1 year	956	518
More than 1 year	348	174
	<u>17,030</u>	<u>15,716</u>

FUTURE AND OUTLOOK

As digital transformation and e-commerce continue to surge, we strive to enhance the digital interactions with our business partners, and empower our customers to grow their digital business landscape through our highly digitalised products and platforms. We aim to enhance the lottery retail stores' operational efficiency such as lottery buyer management. Besides, we also aim to provide our business partners with different means of promotion and marketing tools like lottery marketing tickets and provision of e-commerce solutions on the tangible goods.

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

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

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

In terms of marketing services, we have maintained stable business relationships with our customers and will seek to further expand our capabilities in providing comprehensive marketing solutions. Through consistent effort in developing our SaaS enterprise marketing platform, we believe that we are fully capable in dealing with any potential, rapid shift in advertising needs among our customers with respect to the borders reopening.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Compliance with Corporate Governance Code

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

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

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

Model Code for Securities Transactions by Directors

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

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

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three members, all of whom are INEDs, namely Mr. Shen Yunjia, Ms. Mo Lan and Mr. Zeng Liang. Mr. Shen Yunjia is the chairman of the Audit Committee.

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

Scope of Work of the Auditor

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

Use of Proceeds

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

As at 31 December 2023, IPO proceeds of HK\$68.9 million has been utilised. An analysis of the net proceeds from the Listing Date up to 31 December is set out below:

	Approximate % of total IPO proceeds %	Allocated use of actual IPO proceeds HK\$ million	Utilised IPO proceeds as of 31 December 2023 HK\$ million	IPO proceeds unused balance as of 31 December 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	27.7	14.8	On or before 31 December 2024
Further developing and expanding our supplier base and types of virtual goods on offer	26.7	26.9	18.7	8.2	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	7.5	2.5	On or before 31 December 2024
Total	100	100.7	68.9	31.8	

As at 31 December 2023, the amount of unutilised net proceeds amounted to approximately HK\$31.8 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and the PRC.

Up to 31 December 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.

Rights Issue

The Company has conducted a rights issue in December 2023 to raise funds for (i) the proposed acquisition of a PRC company with an aim to expand our scope of services to cover delivery of physical goods for e-commerce operators; (ii) the development and expansion of our virtual and physical goods delivery business; and (iii) general working capital (the “**Rights Issue**”). The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$99.0 million.

As at 31 December 2023, the proceeds from the Rights Issue of HK\$27.8 million has been utilised. An analysis of the proceeds from the Rights Issue up to 31 December is set out below:

	Approximate % of total proceeds from Rights Issue as stated in the prospectus dated 20 November 2023 %	Allocated use of actual proceeds from Rights Issue HK\$ million	Utilised proceeds from Rights Issue as of 31 December 2023 HK\$ million	Proceeds from Rights Issue unused balance as of 31 December 2023 HK\$ million	Expected timeline for unutilised proceeds from Rights Issue
Acquisition of a PRC company with principal business on delivery of physical goods for e-commerce platform operators	65	64.3	16.5	47.8	On or before 31 December 2025
Development and expansion of virtual and physical goods delivery business	25	24.7	8.9	15.8	On or before 31 December 2024
General working capital	10	9.9	2.4	7.5	On or before 31 December 2025
	<u>100</u>	<u>98.9</u>	<u>27.8</u>	<u>71.1</u>	

As at 31 December 2023, the amount of unutilised net proceeds from the Rights Issue amounted to approximately HK\$71.1 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and the PRC.

Up to 31 December 2023, the utilised net proceeds from Rights Issue were applied in accordance with the planned use as previously disclosed in the Prospectus dated 20 November 2023 and the remaining net proceeds from the Rights Issue are expected to be used as planned. The remaining unutilised net proceeds from the Rights Issue are expected to be utilized on or before 31 December 2025.

Subsequent Events

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

Save as disclosed above, as at the date of this announcement, there was no other significant event subsequent to 31 December 2023.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

Annual General Meeting

The AGM is scheduled to be held on Friday, 28 June 2024. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders who have elected to receive printed copies in the manner required by the Listing Rules in due course.

Closure of the Register of Members

The register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, 28 June 2024. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 24 June 2024.

Publication of the 2023 Annual Results and Annual Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.regopimc.com). The annual report for the Year containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders who have elected to receive printed copies and published on the respective websites of the Stock Exchange and the Company in April 2024.

Appreciation

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

DEFINITION

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

“AGM”	annual general meeting of our Company
“Annual Results”	audited consolidated financial results of the Group for the Year
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix C1 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
“CPA”	cost per action, a performance-based pricing model where advertising is paid on the basis of each action of the mobile device user such as download, installation or registration. CPI is typically referred to as CPA
“Director(s)”	the director (s) of the Company
“Eligible Persons”	An employee (whether full time or part-time) or a director of a member of the Group as determined by the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) at its absolute discretion to be offered to grant an option to subscribe for such number of Shares
“FY2023”	the financial year ended on 31 December of the year 2023. For example, “FY2022” refers to the year ended 31 December 2022
“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 C3 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
“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 2023
“%”	per cent

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

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Chen Ping, Mr. Tian Huan, Mr. Zhang Yongli, Mr. Fan Lianshun, Mr. Xia Yuanbo and Mr. Chen Wei; and the independent non-executive Directors are Ms. Mo Lan, Mr. Shen Yunjia and Mr. Zeng Liang.

* *For identification purpose only*