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乐透互娱
LOTO INTERACTIVE

# Loto Interactive Limited

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 8198)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the "**Directors**") of Loto Interactive Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the "**Board**") of directors (the "**Directors**") of Loto Interactive Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Year**"), together with the comparative figures for the corresponding year in 2018 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | *Notes* | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|---|
| **REVENUE** | *3* | **64,556** | 6,034 |
| Cost of sales and service rendered | | **(51,237)** | (5,312) |
| Gross profit | | **13,319** | 722 |
| Interest income | | **8,045** | 9,665 |
| Other income and gains | | **4,705** | 1,262 |
| Selling expenses | | **(1,098)** | (1,786) |
| Administrative expenses | | **(46,819)** | (43,329) |
| Other expenses | | **(2,344)** | (617) |
| Share of losses of associates | | **(9,415)** | (698) |
| Finance costs | | **(1,269)** | – |
| **LOSS BEFORE TAX** | | **(34,876)** | (34,781) |
| Income tax credit | *4* | **105** | – |
| **LOSS FOR THE YEAR** | *5* | **(34,771)** | (34,781) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Other comprehensive (loss)/income for the year, net of tax:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Fair value changes of equity investments at fair value through other comprehensive income | | **(12,696)** | 126 |
| | | **(12,696)** | 126 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

*For the year ended 31 December 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Items that may be reclassified to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | **1,572** | (1,986) |
| | | **1,572** | (1,986) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | | **(11,124)** | (1,860) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(45,895)** | (36,641) |
| **LOSS FOR THE YEAR ATTRIBUTABLE TO:** | | | |
| Owners of the Company | | **(33,618)** | (34,087) |
| Non-controlling interests | | **(1,153)** | (694) |
| | | **(34,771)** | (34,781) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:** | | | |
| Owners of the Company | | **(44,678)** | (36,323) |
| Non-controlling interests | | **(1,217)** | (318) |
| | | **(45,895)** | (36,641) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(HK$ cents)*** | 7 | | |
| – Basic and diluted | | **(1.066)** | (1.084) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **164,520** | 6,486 |
| Right-of-use assets | | **4,537** | – |
| Goodwill | | **10,996** | – |
| Intangible assets | | **5,655** | – |
| Investments in associates | | **3,384** | 12,959 |
| Investment in a joint venture | | **–** | – |
| Equity investments at fair value through other comprehensive income | | **5,140** | 10,126 |
| | | **194,232** | 29,571 |
| **CURRENT ASSETS** | | | |
| Loan receivables | | **60,881** | 94,221 |
| Structured notes | | **–** | 50,371 |
| Trade receivables | 8 | **19,949** | 9,273 |
| Prepayments, deposits and other receivables | 9 | **41,823** | 8,283 |
| Cash and cash equivalents | | **95,030** | 198,221 |
| | | **217,683** | 360,369 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 10 | **24,300** | 7,557 |
| Accruals and other payables | 11 | **24,720** | 7,914 |
| Lease liabilities | | **3,747** | – |
| Amount due to the holding company | | **1** | 39 |
| Amount due to a related company | | **11,380** | – |
| Tax payable | | **3,297** | 3,278 |
| | | **67,445** | 18,788 |
| **NET CURRENT ASSETS** | | **150,238** | 341,581 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **344,470** | 371,152 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **692** | – |
| Deferred tax liabilities | | **1,031** | – |
| | | **1,723** | – |
| **NET ASSETS** | | **342,747** | 371,152 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 12 | **31,586** | 31,459 |
| Reserves | | **298,285** | 333,414 |
| | | **329,871** | 364,873 |
| Non-controlling interests | | **12,876** | 6,279 |
| **TOTAL EQUITY** | | **342,747** | 371,152 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2019*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium# | Share-based payment reserve# | Other reserve*# | Exchange reserve# | Equity investment revaluation reserve# | (Accumulated losses)/retained earnings# | Total | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2018 | 31,459 | 327,928 | – | (5,255) | 4,418 | – | 29,854 | 388,404 | 6,597 | 395,001 |
| Loss for the year | – | – | – | – | – | – | (34,087) | (34,087) | (694) | (34,781) |
| Other comprehensive loss for the year | – | – | – | – | (2,362) | 126 | – | (2,236) | 376 | (1,860) |
| Total comprehensive loss for the year | – | – | – | – | (2,362) | 126 | (34,087) | (36,323) | (318) | (36,641) |
| Equity-settled share-based payment expense | – | – | 12,792 | – | – | – | – | 12,792 | – | 12,792 |
| Lapsed of share option scheme | – | – | (194) | – | – | – | 194 | – | – | – |
| At 31 December 2018 | 31,459 | 327,928 | 12,598 | (5,255) | 2,056 | 126 | (4,039) | 364,873 | 6,279 | 371,152 |
| **At 1 January 2019** | **31,459** | **327,928** | **12,598** | **(5,255)** | **2,056** | **126** | **(4,039)** | **364,873** | **6,279** | **371,152** |
| Non-controlling interests arising from establishment of a new subsidiary | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **7,814** | **7,814** |
| Loss for the year | **-** | **-** | **-** | **-** | **-** | **-** | **(33,618)** | **(33,618)** | **(1,153)** | **(34,771)** |
| Other comprehensive loss for the year | **-** | **-** | **-** | **-** | **1,636** | **(12,696)** | **-** | **(11,060)** | **(64)** | **(11,124)** |
| Total comprehensive loss for the year | **-** | **-** | **-** | **-** | **1,636** | **(12,696)** | **(33,618)** | **(44,678)** | **(1,217)** | **(45,895)** |
| Issue of ordinary shares upon exercise of share options | **127** | **1,266** | **-** | **-** | **-** | **-** | **-** | **1,393** | **-** | **1,393** |
| Equity-settled share-based payment expense | **-** | **-** | **8,283** | **-** | **-** | **-** | **-** | **8,283** | **-** | **8,283** |
| At 31 December 2019 | **31,586** | **329,194** | **20,881** | **(5,255)** | **3,692** | **(12,570)** | **(37,657)** | **329,871** | **12,876** | **342,747** |

* Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions.

\# These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

### 1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares have been listed on GEM of the Stock Exchange since 17 May 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in big data centre services, online game business and the lottery business in the People's Republic of China (the "**PRC**").

In the opinion of the Directors of the Company, as at 31 December 2019, the substantial shareholder of the Company is 500.com Limited (the "**Holding Company**"), which is listed on the New York Stock Exchange (Stock Code: WBAI).

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in this financial report. The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

**HKFRS 16 "Leases"**

The group has initially applied HKFRS 16 from 1 January 2019. The group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the impacts on transition are set out below:

***(a) Changes in the accounting policies***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

At the date of transition to HKFRS 16, the group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.4%.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The adjustments recognised are as follows:

| | *HK$'000* |
|---|---|
| **At 1 January 2019:** | |
| Increase in right-of-use assets | 7,857 |
| Increase in lease liabilities | 7,857 |

### *(b) Impacts on transition*

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The reconciliation of operating lease commitment to lease liabilities is set out below:

| | *HK$'000* |
|---|---|
| Operating lease commitments at 31 December 2018 | 18,695 |
| Less: commitment relating to a lease agreement jointly signed by the Group and a substantial shareholder and shared by the substantial shareholder | (9,348) |
| Less: commitments relating to leases exempt from capitalisation: | |
| – short-term leases and other leases with remaining lease term ending on or before 31 December 2019 | (1,143) |
| Gross operating lease obligations at 1 January 2019 | 8,204 |
| Discounting | (347) |
| Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 | 7,857 |

## 3. REVENUE AND OPERATING SEGMENT INFORMATION

### (a) Reportable segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three (2018: two) reportable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Trading of lottery terminals and parts and provision of services and solutions for the distribution of lottery products ("**Lottery business**")

– Distribution of mobile gaming ("**Online game business**")

– Provision of big data centre services ("**Big data centre services**")

Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

(i) Information about reportable segment profit or loss, assets and liabilities:

| **Year ended 31 December 2019** | **Lottery business** *HK$'000* | **Online game business** *HK$'000* | **Big data centre services** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Revenue from external customers | **111** | **2,020** | **62,425** | **64,556** |
| Segment (loss)/profit | **(2,593)** | **(1,571)** | **6,637** | **2,473** |
| Depreciation | **4** | **59** | **11,641** | **11,704** |
| Additions to segment non-current assets | **188** | **–** | **175,383** | **175,571** |
| **As at 31 December 2019** | | | | |
| Segment assets | **4,216** | **673** | **286,668** | **291,557** |
| Segment liabilities | **(936)** | **(933)** | **(56,206)** | **(58,075)** |

| Year ended 31 December 2018 | Lottery business *HK$'000* | Online game business *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| Revenue from external customers | 5,457 | 577 | 6,034 |
| Segment loss | (1,671) | (10,716) | (12,387) |
| Depreciation | 39 | 44 | 83 |
| Additions to segment non-current assets | 55 | 188 | 243 |
| **As at 31 December 2018** | | | |
| Segment assets | 8,208 | 8,445 | 16,653 |
| Segment liabilities | (3,765) | (857) | (4,622) |

3. **REVENUE AND OPERATING SEGMENT INFORMATION (continued)**

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Total revenue of reportable segments | **64,556** | 6,034 |
| Consolidated revenue | **64,556** | 6,034 |
| **Profit or loss** | | |
| Total profit/(loss) of reportable segment | **2,473** | (12,387) |
| Other loss | **(2,913)** | (1,781) |
| Unallocated amounts: | | |
| Equity-settled share option expense | **(8,283)** | (12,792) |
| Salaries and other benefits | **(11,139)** | (7,123) |
| Share of losses of associates | **(9,415)** | (698) |
| Depreciation charge of right-of-use assets | **(4,599)** | – |
| Donation | **(1,000)** | – |
| Consolidated loss before tax for the year | **(34,876)** | (34,781) |
| **Assets** | | |
| Total assets of reportable segments | **291,557** | 16,653 |
| Other assets | **13,881** | 9,413 |
| Unallocated amounts: | | |
| Right-of-use assets | **3,258** | – |
| Investments | **3,384** | 12,959 |
| Equity investments at fair value through other comprehensive income | **5,140** | 10,126 |
| Cash and cash equivalents | **44,977** | 196,197 |
| Loan receivables | **49,718** | 94,221 |
| Structured notes | **–** | 50,371 |
| Consolidated total assets | **411,915** | 389,940 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **(58,075)** | (4,622) |
| Other liabilities | **(2,136)** | (8,554) |
| Unallocated amounts: | | |
| Amount due to a shareholder of a joint venture | **(2,334)** | (2,334) |
| Tax payable | **(3,278)** | (3,278) |
| Lease liability | **(3,345)** | – |
| Consolidated total liabilities | **(69,168)** | (18,788) |

## 3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

### (b) Geographical information

The Group's operations are carried out in the PRC and revenue from external customers based on the location of goods and services delivered is derived from the PRC.

The following is an analysis of the non-current assets, analysed by the geographical area in which the assets are located:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Non-current assets, excluding financial assets | | |
| The PRC | **182,255** | 263 |
| Hong Kong | **6,812** | 6,197 |
| British Virgin Island ("**BVI**") | **25** | 26 |
| | **189,092** | 6,486 |

### (c) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A *(Note 1)* | **–** | 5,059 |
| Customer B *(Note 2)* | **21,250** | – |
| Customer C *(Note 2)* | **11,624** | – |
| Customer D *(Note 2)* | **7,889** | – |
| | **40,763** | 5,059 |

*Note 1:* Revenue is generated from lottery business segment.

*Note 2:* Revenue is generated from big data centre services segment.

**3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)**

**(d) Disaggregation of revenue from contracts with customers:**

| **Segments** | **Lottery business** *HK$'000* | **Online game business** *HK$'000* | **Big data centre services** *HK$'000* | **2019 Total** *HK$'000* |
|---|---|---|---|---|
| **Geographical markets** | | | | |
| The PRC | **111** | **2,020** | **62,425** | **64,556** |
| **Major products/service** | | | | |
| Provision of services and solutions for the distribution of lottery products | **111** | **–** | **–** | **111** |
| Distribution of mobile gaming | **–** | **2,020** | **–** | **2,020** |
| Provision of big data centre services | **–** | **–** | **62,425** | **62,425** |
| | **111** | **2,020** | **62,425** | **64,556** |
| **Timing of revenue recognition** | | | | |
| At a point in time | **111** | **2,020** | **–** | **2,131** |
| Over time | **–** | **–** | **62,425** | **62,425** |
| | **111** | **2,020** | **62,425** | **64,556** |

| Segments | Lottery business *HK$'000* | Online game business *HK$'000* | 2018 Total *HK$'000* |
|---|---|---|---|
| **Geographical markets** | | | |
| The PRC | 5,457 | 577 | 6,034 |
| **Major products/service** | | | |
| Trading of lottery terminals and parts | 5,059 | – | 5,059 |
| Provision of services and solutions for the distribution of lottery products | 398 | – | 398 |
| Distribution of mobile gaming | – | 577 | 577 |
| | 5,457 | 577 | 6,034 |
| **Timing of revenue recognition** | | | |
| At a point in time | 5,457 | 577 | 6,034 |
| | 5,457 | 577 | 6,034 |

## 3. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

***Lottery business***

The Group sells lottery terminals and parts to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 60 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

***Online game business***

The Group is in cooperation with various reputable companies in the online game industry to distribute online mobile games.

Revenue is recognised when the control of the goods is transferred to a customers.

***Big data centre services***

The Group operates big data centres in People's Republic of China, providing data analysis, storage services and ancillary administrative and consulting services.

Revenue generated from the Big Data Centres consists of services fees and/or rental income charged on the users for provision of big data centre services and use of storage places.

Services income is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

## 4. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

Pursuant to the PRC Corporate Income Tax Law effective on 1 January 2008, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2018: 25%) on their respective taxable income for the year ended 31 December 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current – Mainland China | | |
| Charge for the year | **19** | – |
| Deferred tax | **(124)** | – |
| Total tax credit for the year | **(105)** | – |

The reconciliation between the income tax credit and the product of profit before tax multiplied by the statutory rates for the countries (or jurisdictions) is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax | **(34,876)** | (34,781) |
| Tax at the weighted average tax rate of 16.5% to 25% (2018: 16.5% to 25%) | **(6,118)** | (6,812) |
| One-off tax deduction | **(75)** | – |
| Loss attributable to a joint venture and associates | **(2,354)** | (175) |
| Tax effect of income that is not taxable | **(2,325)** | (1,605) |
| Tax effect of expenses that are not deductible | **1,627** | 1,869 |
| Tax effect of tax losses not recognised | **9,140** | 6,723 |
| Income tax credit | **(105)** | – |

At 31 December 2019, the Group had unused tax losses of HK$267,546,000 (2018: HK$231,367,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

Included in unrecognised tax losses are losses of HK$53,494,000 (2018: HK$52,794,000) that are allowed to be carried forward and utilised against the taxable income of subsequent years. The loss carryforward period cannot exceed 5 years and expires between 2020 and 2024. Other losses of HK$214,052,000 (2018: HK$178,573,000) may be carried forward indefinitely.

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group 's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

## 5. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditors' remuneration | **650** | 600 |
| Cost of sales and service rendered | **51,237** | 5,312 |
| Minimum lease payments under operating leases (under HKAS 17) | **–** | 6,033 |
| Staff costs (including directors' remuneration): | | |
| Salaries and other benefits | **14,363** | 8,657 |
| Bonus | **904** | 504 |
| Pension scheme contributions | **742** | 465 |
| Equity-settled share option expense | **8,283** | 12,792 |
| | **24,292** | 22,418 |
| Depreciation | **14,357** | 2,078 |
| Depreciation charge of right-of-use assets | **4,838** | – |
| Loss on disposal of items of property, plant and equipment | **19** | 53 |
| Net exchange (gains)/losses | **(1,098)** | 317 |
| Gain on deregistration of a subsidiary | **–** | (1,034) |

## 6. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2019 and 2018.

## 7. LOSS PER SHARE

The calculation of the basic earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of approximately 3,155,137,000 (2018: 3,145,936,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted earnings per share is based on the following:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purpose of calculating basic and diluted earnings per share | **(33,618)** | (34,087) |

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares in issue during the year for the purposes of the basic and diluted loss per share | **3,155,137** | 3,145,936 |

## 8. TRADE RECEIVABLES

| | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Trade receivables | **19,949** | 9,273 |

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

| | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Within 30 days | **18,994** | 556 |
| 31 days to 90 days | **117** | 258 |
| 91 days to 180 days | **–** | 4,144 |
| 181 days to 365 days | **1** | 915 |
| Over 1 year | **837** | 3,400 |
| | **19,949** | 9,273 |

The Group's trading terms with its customers are usually on credit, in some instances where payment in advance is required. The credit period is generally two months for two major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

| | **Current** *HK$'000* | **Less than 1 month past due** *HK$'000* | **1-3 months past due** *HK$'000* | **3-6 months past due** *HK$'000* | **6-12 months past due** *HK$'000* | **Over 1 year past due** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | |
| Weighted average expected loss rate | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | |
| Receivable amount | **18,906** | **88** | **117** | **–** | **1** | **837** | **19,949** |
| Loss allowance | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **At 31 December 2018** | | | | | | | |
| Weighted average expected loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| Receivable amount | 27 | 787 | 4,144 | 915 | – | 3,400 | 9,273 |
| Loss allowance | – | – | – | – | – | – | – |

## 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Other receivables | **3,139** | 2,270 |
| Other tax assets | **9,741** | – |
| Interest receivables | **3,186** | 3,649 |
| Deposits for the construction in progress | **11,163** | – |
| Utility deposits | **12,782** | – |
| Other deposits | **386** | 39 |
| Prepayments | **1,426** | 2,325 |
| | **41,823** | 8,283 |

## 10. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Within 30 days | **23,793** | – |
| 31 to 90 days | **122** | 303 |
| 91 to 180 days | **385** | – |
| 181 to 365 days | **–** | 3,007 |
| Over 1 year | **–** | 4,247 |
| | **24,300** | 7,557 |

The average credit period on purchases of goods is 60 days.

## 11. ACCRUALS AND OTHER PAYABLES

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Other payables | **3,423** | 2,443 |
| Consideration payables | **–** | 2,283 |
| Amount due to a shareholder of a joint venture | **2,334** | 2,334 |
| Deposit received from customers | **17,996** | – |
| Accruals | **967** | 854 |
| | **24,720** | 7,914 |

## 12. SHARE CAPITAL

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised: | | |
| 5,500,000,000 ordinary shares of HK$0.01 each | **55,000** | 55,000 |

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Issued and fully paid: | | |
| 3,158,599,836 (2018: 3,145,935,836) ordinary shares of HK$0.01 each | **31,586** | 31,459 |

A summary of movements in the Company's share capital is as follows:

| | **Number of shares in issue** | **Share Capital** |
|---|---|---|
| | | *HK$'000* |
| At 1 January 2018, 31 December 2018 and 1 January 2019 | **3,145,935,836** | 31,459 |
| Share options exercised *(Note (a))* | **12,664,000** | 127 |
| At 31 December 2019 | **3,158,599,836** | 31,586 |

*Note:*

(a) In 2019, the subscription rights attaching to 12,664,000 share options were exercised at the subscription price of HK$0.11 per share, resulting in the issue of 12,664,000 new shares of HK$0.01 each, for a total cash consideration, before expenses, of HK$1,393,040.

## CHAIRMAN'S STATEMENT

## TO OUR SHAREHOLDERS

On behalf of the Board, I hereby present the results of the Group for the Year.

In 2019, the Group faced both challenges and opportunities. For challenges, the lottery market in the PRC remained uncertain in many aspects, and the government continued to take action to strictly prohibit all internet lottery ticket sales activities. In spite of the unstable social and economic environment and the volatile market, we actively explored and captured new opportunities in the trend of global fin-tech development.

During the Year, we continued to focus on scientific research and innovation, and put great efforts in developing "big data centre" services which achieved remarkable results. Big data centre services have become the main growth driver of the Company's performance. The Group recorded a revenue of HK$64.6 million for the Year, representing a dramatic increase of HK$58.6 million as compared to the last corresponding year. Loss attributable to owners of the Company for the Year amounted to HK$33.6 million, representing a decrease of loss of HK$0.5 million as compared to the loss of HK$34.1 million for the last corresponding year. As at 31 December 2019, the Group had cash and bank balances of HK$95.0 million.

We started building the big data centres in Sichuan Province, the PRC in March 2019 to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to our clients. We have also developed software for supervision and analysis of big data and licensed to clients for use, thereby establishing a stable customer base. In addition, the Group has established cooperative relationship with various local subsidiaries of a leading state-owned enterprise in the power energy business in China, and has been selected as one of its strategic business partners for electricity consumption and water conservation projects. At present, we have completed the construction of two big data centres with an aggregate gross floor area of 6,760 square metres, and plan to expand this segment with our third big data centre currently under construction.

The Group will continue to actively explore different opportunities, put great efforts in developing the big data centres, and capture new investment and business opportunities through different approaches while maintaining steady business growth. With the money lender's license granted in January 2020, the Group will continue to leverage its corporate expertise and resources to broaden its income source. We believe that through business innovation and relevant deployment and promotion, we will be able to enhance and maximise the long-term shareholders' value.

## IN APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our stakeholders. I would also like to give my genuine thanks to our shareholders for their continuing support and confidence in the Company. As to my fellow Board members, management team and employees, I wish to express my heartfelt appreciation for their hard work and dedicated commitment. In respect of our business partners, we are grateful for their trust, cooperation and confidence in us and look forward to many more years of support from them.

**Zhang Jing**
*Chairman*

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in (i) provision of data analysis and storage services (the "**big data centre services**"), (ii) distribution of mobile gaming (the "**online game business**") and (iii) trading of lottery terminals and parts (the "**lottery business**") and the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the PRC, namely the China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre (the "**CSLA**").

### Big Data Centre Services

The Group operates two big data centres in Sichuan, the PRC to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to our clients.

The first big data centre of the Group commenced business in March 2019 and is located in Ya'an, Sichuan Province. With a gross area of 960 square meters, it has an operation capacity of providing data analysis and storage services for up to 9,500 data processors at the same time.

The second big data centre of the Group commenced business in June 2019 and is located in Kangding, Sichuan Province. With a gross area of approximately 5,800 square meters, it has an operation capacity of providing data analysis and storage services for up to 95,000 data processors at the same time.

The Group's third big data centre is currently under construction and expected to complete construction as early as the end of May 2020. Upon completion, the operation scale of the third big data centre will be approximately 2.5 to 3 times of the second big data centre.

The services provided by these big data centres to their customers cover a full range from monitoring the average utilisation rate and working status of data processors to supervising the overall safety and security of both physical environment and internet connection within the big data centres. Each customer is provided with a monthly report on operation results of its data processors. In the event of any unusual condition reported on the data processors, the relevant customer will receive an immediate notification and follow-up inspection and maintenance services will be provided by the Group upon request. In order to ensure full-load operation of the big data centres, the Group maintains regular communication with local utility services providers in respect of resources allocation and application for increase or decrease in supply of utility.

In addition, the Group has developed a comprehensive management software (the "**Software**") specifically for its big data centres. With the customised hardware installed in the Big Data Centres, the Software provides integrated solutions for operation and maintenance management, financial management and resources allocation in cloud computing in the big data centres. The Software enables the clients to remotely monitor their data processors and obtain real-time information on the average computing capacity, CPU load and utilisation and operating time and to receive notification of unusual condition of their data processors. The Software effectively solves the common problems encountered in the operation and maintenance management of big data centres such as delayed information access, inefficient operation and maintenance, inability to quantify on-site work and inability to get access to on-site information anytime and anywhere.

During the Year, the big data centres services generated revenue of approximately HK$62.5 million, accounting for 96.7% of the Group's revenue.

**Online Game Business**

In line with the Group's strategy for developing leisure and entertainment business, the Group is in cooperation with various reputable companies in the online game industry to distribute online mobile games. On 5 July 2019, "A Tale in the Kingdom of Women (《大話女兒國》)", a large-scale mobile game exclusively distributed by our Company, has completed closed testing and was launched into operation with positive market response.

As at the end of the Year, we witnessed an increase in revenue of HK$1.4 million compared to the corresponding period in 2018 (2018: HK$0.6 million). The online game distribution business accounted for 3.1% of total revenue of the Year (2018: 9.6%).

**Lottery Business**

The Group is engaged in providing lottery-related technologies, systems and solutions as well as distribution of high quality and versatile lottery terminals in China.

Due to the particular procurement cycle of CSLA for lottery terminals and parts as well as the sluggish demand from market in Mainland China, the Group has suspended trading of lottery vending machines, and closely monitors any development in the market conditions and regulatory framework. It cannot rule out the possibilities of ceasing to trade the approved lottery vending machines or the business related to CSLA in the future.

**FINANCIAL REVIEW**

The Group is engaged in three operating segments, namely the big data centre services, online game business and lottery business. During the Year, total revenue of the Group amounted to HK$64.6 million (2018: HK$6.0 million), representing an increase of approximately HK$58.6 million, which comprised the following:

**(1) Big data centre services**

Revenue contributed by the big data centres services in the provision of data analysis, storage services and ancillary administrative and consulting services amounted to HK$62.5 million for the Year (2018: Nil).

**(2) Online game business**

Revenue generated from online game business amounted to HK$2.0 million for the Year, increased by 250.1% compared to HK$0.6 million in the corresponding period in 2018.

**(3) Lottery business**

During the Year, the Group recorded revenue in the provision of services and solutions for distribution of lottery products of approximately HK$0.1 million (2018: HK$0.4 million), representing a decrease of HK$0.3 million. No revenue was generated from sales of lottery terminals and parts for the sports lottery due to the particular procurement cycle of the CSLA as explained above (2018: HK$5.1 million).

**Operating Results**

The Group recorded a loss of HK$34.8 million for the Year, roughly equivalent to HK$34.8 million in 2018, which was mainly attributable to the combined effect of:

(i) increase in gross profit of approximately HK$12.6 million for the Year as compared to the corresponding period in 2018 as a result of the commencement of operation of the big data centre business;

(ii) increase in non-operating expense related to impairment of investment in associates of HK$7.7 million and share of losses of associates of HK$1.7 million;

(iii) increase in staff cost of HK$6.7 million which was attributable to the increased number of employees due to new business expansion of the Year (2019: 90; 2018: 27);

(iv) increase in operating expense including travelling expense and administrative expense of HK$1.0 million; and

(v) decrease in share-based payment expense of HK$4.5 million.

## MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 15 November 2019, Zhejiang Keyinghuancai Information Technology Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire the entire equity interest in Sichuan Lecaiyuntian Internet Technology Co., Ltd at a consideration of HK$15,000,000 (the "**Acquisition**"). The Acquisition was completed on 22 November 2019 and as at 31 December 2019, the goodwill was at the amount of approximately HK$10,996,000.

## ADDITION TO PROPERTY, PLANT AND EQUIPMENT

During the Year, the Company made an significant investment in the amount of approximately HK$176.1 million in relation to the construction of the big data centres, including two completed big data centres and one construction in progress. The construction work of the first big data centre was completed in March 2019, with a gross area of 960 square metres. The second big data centre was completed in June 2019, with a gross area of 5,800 square metres. As of 31 December 2019, the Group is of a net asset position with property, plant and equipment of HK$164.5 million (representing an increase of HK$158.0 million from HK$6.5 million as of 31 December 2018).

## IMPAIRMENT OF FINANCIAL INSTRUMENTS AND INVESTMENT IN ASSOCIATES

Impairment of equity investment at fair value through other comprehensive loss were recognised at the end of the Year, which resulted to an impact on comprehensive loss of HK$10.1 million.

During the Year, provision for impairment on investment in associates has been made by the Company of HK$5.8 million of Shenzhen BlueTech Network Technology Co., Ltd and HK$1.9 million of Guangzhou Sentai Information Technology Co., Ltd according to the impairment test at the end of the Year, which would have an impact on profit and loss of the Company.

## LOAN RECEIVABLES

### Yourich Inc Limited

On 18 October 2017, the Company granted a loan (the "**Loan**") to an independent third party, Yourich Inc Limited (the "**Borrower**"), in the principal amount of HK$99,000,000 at the interest rate of 6% per annum for a term of two years. As at the date of this announcement, the outstanding amount has been repaid in full.

### Shenzhen Chipchain Technologies Co., Ltd.

As at 19 June 2019, the Group entered into a convertible note arrangement (the "**Convertible Note Agreement**") with Shenzhen Chipchain Technologies Co., Ltd. (the "**Convertible Note Issuer**"), pursuant to which the Group agreed to grant to the Convertible Note Issuer a convertible note (the "**Convertible Note**") in the principal amount of RMB10,000,000 (equivalent to approximately HK$11,163,000) at an interest rate of 8% per annum for a term of six (6) months, during which the Group is entitled to convert the Convertible Note into 3.33% of the equity interest in the Convertible Note Issuer (the "**Conversion Right**"). The Group did not exercise the Conversion Right and the Convertible Note Issuer has defaulted in repayment of the Convertible Note when it was due. The Convertible Note was subsequently classified under loan receivable. The Group has been actively discussing with the Convertible Note Issuer to recover the Convertible Note. As at the date of this announcement, a total amount of approximately RMB5 million has been repaid by the Convertible Note Issuer.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2019, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK$95.0 million (2018: HK$198.2 million), representing a decrease of HK$103.2 million from last year. Of the cash and cash equivalents as at 31 December 2019, 48% (2018: 4.7%) was denominated in Renminbi, with the remaining balance in United States dollars and Hong Kong dollars.

The decrease in cash and bank balances was mainly due to (i) the cash used in the construction of three big data centres of approximately HK$176.1 million (of which big data centres, two started generating revenue in the Year and one is currently under construction); (ii) the cash received by withdrawal of structured notes amounted HK$50.0 million; and (iii) the cash received by repayment of loan from Yourich Inc Limited amounted HK$49.3 million.

As stated in 2019 interim report and 2019 third quarterly report of the Company, the Group continues to explore new business models which will diversify our business. If any of these potential projects materialises, the Company will make announcement(s) in accordance with the requirement under the GEM Listing Rules where necessary or appropriate.

The Group had no bank borrowings in 2019 (2018: Nil) and generally financed its operations with internal resources.

As at 31 December 2019, the Group's current assets exceeded its current liabilities by HK$150.2 million (2018: HK$341.6 million). The Group had a capital surplus of HK$342.7 million as at 31 December 2019 (2018: HK$371.2 million).

The gearing ratio of the Group (total borrowings divided by shareholders' funds) was 2.8% as at 31 December 2019 (2018: Nil).

## OUTLOOK

The PRC government has been taking action to strictly prohibit all internet lottery ticket sales activities since March 2015, which posed major challenges and uncertainties to the development of the Group's lottery business. In addition, due to the particular procurement cycle of CSLA for lottery terminals and parts as well as the sluggish demand from market in Mainland China, the Company has to think proactively and seek new opportunities.

In addition to the lottery business and online game business, we will focus on big data centre services which have a brighter prospect. At present, the two big data centres constructed by us in Sichuan Province, the PRC have a sizable scale of operation with a wide range of customers, and are contributing to the Group with stable revenue. In the future, we will continue our expansion which includes our third big data centre currently under construction. Upon completion, such centre will become the largest big data centre of the Group and is expected to attract more customers and bring considerable revenue. We believe that, under the new political and economic environment, we shall actively seek changes, adhere to the spirit of innovation, and leverage our core experience and corporate resources to achieve long-term benefits for the Group and its shareholders. We are confident that with the concerted efforts of the Group, we will be able to open up a brand-new world and achieve outstanding results.

## CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2019 and 2018.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2019, all assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. For the year ended 31 December 2018, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. Since the impact to foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

## STAFF AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 47 full-time employees (2018: 27) and 43 third party consultants (2018: Nil). For the year ended 31 December 2019, the Directors received total emoluments of approximately HK$9.2 million (2018: HK$11.6 million), including non-cash share-based payments to Directors of HK$4.5 million in 2019 (2018: HK$6.9 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employee benefits such as mandatory provident fund, medical insurance, staff training programs and share option schemes.

## CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group's capital commitments at the end of the Year and 31 December 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property, plant and equipment Contracted, but not provided for | **75,788** | 22,060 |

## IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

Reference is made to the announcement of the Company dated 23 January 2020. On 23 January 2020, the Company, through Interactive Lab Limited, a wholly-owned subsidiary of the Company, and Bee Computing (HK) Limited (the "**JV Partner**") entered into a joint venture agreement relating to the formation of a joint venture company (the "**JV Company**") to be held as to approximately 51% by Interactive Lab Limited and approximately 49% by the JV Partner. The JV Company is proposed primarily to be engaged in the development and operation of the technology in relation to one type of blockchain supercomputing chip and the related application devices. The term of operation of the JV Company is ten years from 23 January 2020 to 22 January 2030, which may be extended upon unanimous consent of all the then shareholders of the JV Company.

## CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance to safeguard the interest of the Company's shareholders (the "**Shareholders**") and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the Shareholders. Throughout the year ended 31 December 2019, the Company complied with all the Code Provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 to the GEM Listing Rules, save for the following:

Under the code provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. Although the management of the Company has not provided the Board with monthly updates, the Company has based on business situation, provided the Board, from time to time, with updated business information to enable the Board as a whole and each director to discharge their duties.

The Board will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the CG Code and maintain high standard of corporate governance practices.

## SECURITIES DEALINGS BY DIRECTORS AND EMPLOYEES

The Company has adopted its own code for dealing in the Company's securities by Directors and employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "**Code of Securities Dealings**") on terms no less exacting than the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules. We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2019.

## AUDIT COMMITTEE

The Company has an audit committee, which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and overseeing the Group's risk management and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee comprises two independent non-executive Directors, namely Mr. Lin Sen (Chairman of the audit committee) and Dr. Lu Haitian, and one non-executive Director, namely Mr. Yuan Qiang.

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the audit committee.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 7 May 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 4 May 2020 to Thursday, 7 May 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar 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 for registration no later than 4:30 p.m. on Wednesday, 29 April 2020.

## SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA CPA 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website at www.lotoie.com and the Stock Exchange's website at www.hkexnews.hk. The annual report 2019 will be available on the above websites and despatched to the Shareholders on or about Tuesday, 31 March 2020.

By Order of the Board
**Loto Interactive Limited**
**Wang Bingzhong**
*Chief Executive Officer and Executive Director*

Hong Kong, 20 March 2020

*As at the date of this announcement, the Board of Directors comprises Ms. Zhang Jing* (Chairman), Mr. Wang Bingzhong# (Chief Executive Officer), Ms. Huang Lilan#, Mr. Yuan Qiang*, Dr. Lu Haitian+, Mr. Yan Hao+ and Mr. Lin Sen+.*

# *Executive Director*
* *Non-executive Director*
+ *Independent Non-executive Director*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.lotoie.com.*