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Loto Interactive Limited

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

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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.*

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Loto Interactive Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six-month period ended 30 June 2020 (the “**Reporting Period**”) as follows:

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) money lending business in Hong Kong (the “**money lending business**”).

Big Data Centre Services

The Group operates three big data centres in Sichuan, the People’s Republic of China (the “**PRC**”) to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to our clients.

The first two big data centres of the Group commenced business in March and June 2019, respectively. Due to the outbreak of coronavirus in the PRC, the construction of the third big data centre of the Group was delayed for a month and has completed in late June 2020. The three big data centres of the Group in aggregate have a gross area of over 18,000 square meters, with a total operation capacity of providing data analysis and storage services for up to 225,000 data processors at the same time.

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 implemented 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 Reporting Period, the big data center services generated revenue of approximately HK\$127.7 million, representing a significant increase as compared to the corresponding period, which was primarily due to the commencement of operation of the second and third big data centres of the Group.

Online Game Business

In line with the Group's strategy for developing leisure and entertainment business, the Group engaged in the distribution of online mobile games and recorded revenue of HK\$0.2 million for the Reporting Period, which representing a decrease of HK\$0.2 million as compared to the corresponding period in 2019. Such decrease was primarily because all online mobile games distributed by the Group during the Reporting Period were non-exclusive games, the performance of which were less satisfactory as a result of the reduction in promotion activities during the outbreak of coronavirus in the PRC.

Money Lending Business

In order to leverage its corporate expertise and resources to broaden its income source, an indirect wholly-owned subsidiary of the Company, Might Winner Limited, has obtained a money lender's license in January 2020. On 3 April 2020, a loan in the principal amount of HK\$30 million for a term of 24 months at an interest rate of 10% per annum, was granted to an independent third party, which contributed revenue of approximately HK\$0.8 million for the Reporting Period.

Lottery Business

During the Reporting Period, the Group recorded a revenue of approximately HK\$30,000 from the provision of lottery-related technologies, systems and solutions to China Welfare Lottery Issuance Centre. No revenue was generated from sales of lottery terminals and parts for the sports lottery due to the particular procurement cycle of the China Sports Lottery Administration Centre.

Due to the sluggish demand from market in Mainland China, the Group has suspended the lottery business in the PRC after the Reporting Period. However, the Group will closely monitor any development in the market conditions and regulatory framework and we may continue to pursue suitable business in the lottery industry when appropriate opportunities arise.

Financial Review

The Group is engaged in four operating segments which are (1) the big data centre services, (2) the online game business, (3) the money lending business, and (4) the lottery business. The Group recorded a total revenue of approximately HK\$128.7 million during the Reporting Period (six-month period ended 30 June 2019: HK\$7.1 million), representing a significant increase of HK\$121.6 million, which comprised the following:

(1) Big data centre services

Revenue contributed by the big data centres services amounted to HK\$127.7 million for the Reporting Period.

(2) Online game business

Revenue generated from online game business amounted to HK\$0.2 million for the Reporting Period.

(3) Money lending business

Revenue generated from money lending business amounted to HK\$0.8 million for the Reporting Period.

(4) Lottery business

During the Reporting Period, the Group recorded revenue of approximately HK\$30,000 from lottery business. After the Reporting Period, the Group has suspended the lottery business in the PRC as explained above.

Operating Results

The Group recorded a loss of HK\$32.4 million for the Reporting Period, representing an increase of HK\$17.5 million as compared to a loss of HK\$14.9 million for the corresponding period in 2019, which was mainly attributable to:

- (i) increase in gross profit of HK\$1.6 million which was due to the early commencement of peak season in May 2020, which was a month earlier than the corresponding period in 2019;
- (ii) increase in staff cost of HK\$6.8 million which was attributable to the increased number of employees due to new business expansion of the big data centre services (30 June 2020: 129; 30 June 2019: 36);
- (iii) increase in operation expense amounted to HK\$5.3 million, including rental expense, consulting expense, etc., which was mainly due to the expansion of big data centre services;
- (iv) decrease in interest income of HK\$3.5 million, which was mainly due to the full repayment of outstanding loan receivables in February and April 2020;
- (v) increase in amortisation associated with acquired intangible assets of HK\$2.3 million; and
- (vi) increase in donation of HK\$0.9 million related to the coronavirus in China.

Outlook

The Group is committed to becoming an influential local enterprise among the big data centre service industry, which is expected to be a sunrise industry. Upon the completion of the third big data centres, we believed this centre will attract more customers and bring considerable revenue to the Group. At the same time, 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.

Addition to property, plant and equipment

During the Reporting Period, the Company made additional significant investment in the amount of approximately HK\$93.6 million in relation to the construction of the third big data centre. The construction work was completed in late June 2020, with a gross area of 10,500 square meters. As of 30 June 2020, the Group is of a net asset position with property, plant and equipment of HK\$252.2 million (representing an increase of HK\$87.7 million from HK\$164.5 million as of 31 December 2019).

Dividend

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six-month period ended 30 June 2019: Nil).

Liquidity and Financial Resources

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 30 June 2020, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK\$45.7 million (31 December 2019: HK\$95.0 million). Of the cash and cash equivalents as at 30 June 2020, 51% (31 December 2019: 33%) of this amount was denominated in United States dollars, with the remaining balance in Renminbi and Hong Kong dollars. The decrease in bank balance and cash was mainly due to the expansion of big data centres during the Reporting Period.

Gearing Ratio and Capital Structure

As at 30 June 2020, net current assets of the Group were HK\$71.5 million (31 December 2019: net current assets of HK\$150.2 million).

The Group did not have any bank borrowings for the six-month period ended 30 June 2020 (31 December 2019: Nil) and generally financed its operations with internal resources.

The gearing ratio of the Group (total borrowings divided by shareholders' funds) was nil as at 30 June 2020 (31 December 2019: 2.8%).

As disclosed in the Company's announcement dated 24 April 2020, the Board proposed to put forward to the shareholders of the Company (the "**Shareholders**") a proposal of the share consolidation (the "**Share Consolidation**") on the basis that every ten (10) issued and unissued existing shares of a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of a par value of HK\$0.1 each in the share capital of the Company (the "**Proposed Resolution**"). The Proposed Resolution was duly passed by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 26 May 2020. All the conditions precedent of the Share Consolidation have been fulfilled and the Share Consolidation has become effective on 28 May 2020. Following the Share Consolidation, the authorised share capital of the Company are HK\$55 million divided into 550,000,000 shares of the Company with par value of HK\$0.1 each. As at 30 June 2020, 315,859,983 shares of the Company have been issued. The board lot size for trading on the Stock Exchange will remain as 4,000 shares.

Details of the Share Consolidation were disclosed in the Company's announcements dated 24 April 2020, 8 May 2020 and 26 May 2020 and the circular of the Company dated 11 May 2020.

Loan Receivable

An indirect wholly-owned subsidiary of the Company, Might Winner Limited, has obtained a money lender's license in January 2020. As at 3 April 2020, the Group entered into a loan agreement (the "**Loan**") to an independent third party, Bright Topper Limited (the "**Borrower**"), in the principal amount of HK\$30,000,000 at the interest rate of 10% per annum for a term of two years. Interests for the first 12 months shall be repaid in the first year and the principal amount and interests for remaining period shall be repaid on or before the maturity date. The repayment of the Loan was guaranteed by the director and the sole beneficial owner of the Borrower.

Capital Commitment and Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group's capital commitments are as follows:

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Property, plant and equipment Contracted, but not provided for	<u>12,862</u>	<u>75,788</u>
	<u>12,862</u>	<u>75,788</u>

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Reference is made to the announcement of the Company dated 23 January 2020 in relation to the formation of a joint venture. Pursuant to the joint venture agreement entered into between Interactive Lab Limited, a wholly-owned subsidiary of the Company, and Bee Computing (HK) Limited (the “**JV Partner**”), a joint venture company (the “**JV Company**”) shall be established with a total share capital of USD3.922 million, which will be beneficially owned as to approximate 51% by Interactive Lab Limited and approximately 49% by the JV Partner. The JV Company has commenced business during the Reporting Period and is principally engaged in the development and operation of the blockchain supercomputing project including the development of the technology in relation to blockchain supercomputing chip and the production of related application devices.

Except for those disclosed in this announcement, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the Reporting Period. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Continuing Connected Transactions

On 15 May 2020, the JV Company, an indirect non wholly-owned subsidiary of the Company, entered into a framework purchase agreement (the “**Framework Purchase Agreement**”) with Whalechip Co., Ltd. (“**Whalechip**”), pursuant to which the JV Company will purchase from Whalechip products including supercomputing devices or other similar products as agreed between the parties. As Whalechip is owned by Mr. Yan Yi-Wei, who is a director of the JV Company, a non wholly-owned subsidiary of the Company, and therefore a connected person at the subsidiary level as defined in the GEM Listing Rules, Whalechip is an associate of Mr. Yan and therefore also a connected person at the subsidiary level as defined in the GEM Listing Rules.

The Framework Purchase Agreement and the transactions thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement and annual review requirements but exempted from the independent Shareholders’ approval requirement pursuant to Rule 20.99 of the GEM Listing Rules.

Further details of the Framework Purchase Agreement and the transactions thereunder were set out in the announcement of the Company dated 15 May 2020.

Charges on Group Assets

None of the Group’s assets were pledged as at 30 June 2020 and 31 December 2019.

Exposure of Fluctuations in Exchange Rates

As at 30 June 2020, all assets and liabilities of the Group were denominated in HK\$, RMB and USD. During the Reporting Period, the business activities of the Group were mainly denominated in HK\$ and RMB. Since the impact of foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

Staff and Remuneration Policy

As at 30 June 2020, the Group had a total of 129 employees (30 June 2019: 36). For the Reporting Period, the employee benefits costs amounted to HK\$14.2 million (six-month period ended 30 June 2019: HK\$7.4 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employees with other benefits such as a mandatory provident fund, medical insurance scheme, share option schemes and staff training program.

Changes since 31 December 2019

Other than the aforementioned, there were no other significant changes in the Group's financial position or from the information disclosed under section headed "Management Discussion and Analysis" in the annual report for the year ended 31 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

		Three-month period ended 30 June		Six-month period ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	Notes				
REVENUE	3	56,495	5,787	128,734	7,105
Cost of sales and service rendered		<u>(52,172)</u>	<u>(3,295)</u>	<u>(124,346)</u>	<u>(4,345)</u>
Gross profit		<u>4,323</u>	<u>2,492</u>	<u>4,388</u>	<u>2,760</u>
Other income and gains		894	1,677	1,451	4,994
Selling expenses		–	(117)	(7)	(147)
Administrative expenses		(18,248)	(13,617)	(34,319)	(21,985)
Finance costs		(507)	(261)	(665)	(374)
Other expenses		(1,320)	(70)	(3,718)	(70)
Share losses of associates		<u>(3)</u>	<u>(17)</u>	<u>(67)</u>	<u>(124)</u>
LOSS BEFORE TAX		<u>(14,861)</u>	<u>(9,913)</u>	<u>(32,937)</u>	<u>(14,946)</u>
Income tax credit	5	284	–	572	–
LOSS FOR THE PERIOD	7	<u>(14,577)</u>	<u>(9,913)</u>	<u>(32,365)</u>	<u>(14,946)</u>
OTHER COMPREHENSIVE INCOME					
Other comprehensive (loss)/ income for the period, 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		<u>(969)</u>	<u>–</u>	<u>(3,357)</u>	<u>–</u>
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		<u>1,637</u>	<u>(441)</u>	<u>(2,801)</u>	<u>(378)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>668</u>	<u>(441)</u>	<u>(6,158)</u>	<u>(378)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u><u>(13,909)</u></u>	<u><u>(10,354)</u></u>	<u><u>(38,523)</u></u>	<u><u>(15,324)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONTINUED)**

For the six-month period ended 30 June 2020

		Three-month period ended 30 June		Six-month period ended 30 June	
		2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
	<i>Notes</i>				
LOSS FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owner of the Company		(12,494)	(9,726)	(30,116)	(14,747)
Non-controlling interests		(2,083)	(187)	(2,249)	(199)
		<u>(14,577)</u>	<u>(9,913)</u>	<u>(32,365)</u>	<u>(14,946)</u>
TOTAL COMPREHENSIVE					
LOSS FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owners of the Company		(11,832)	(10,112)	(36,274)	(16,118)
Non-controlling interests		(2,077)	(242)	(2,249)	794
		<u>(13,909)</u>	<u>(10,354)</u>	<u>(38,523)</u>	<u>(15,324)</u>
LOSS PER SHARE					
ATTRIBUTABLE TO					
ORDINARY EQUITY					
HOLDERS OF THE					
COMPANY (HK\$ cents)					
– Basic and diluted	8	(4.62)	(3.09) (restated)	(10.25)	(4.67) (restated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
	Notes		
Non-current Assets			
Property, plant and equipment		252,203	164,520
Right-of-use assets		2,323	4,537
Goodwill		10,996	10,996
Intangible assets		2,504	5,655
Investment in associates		2,713	3,384
Equity investment at fair value through other comprehensive income		1,620	5,140
Loan receivables		30,000	—
Total Non-current Assets		302,359	194,232
Current Assets			
Loan receivables		—	60,881
Trade and other receivables	9	105,964	61,772
Bank balances and cash		45,713	95,030
Total Current Assets		151,677	217,683
Current Liabilities			
Trade and other payables	10	74,299	49,020
Amount due to the holding Company		199	1
Amount due to a related company		—	11,380
Lease liabilities		2,436	3,747
Tax payable		3,278	3,297
Total Current Liabilities		80,212	67,445
Net Current Assets		71,465	150,238
Total Assets less Current Liabilities		373,824	344,470

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

As at 30 June 2020

		As at 30 June 2020	As at 31 December 2019
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current Liabilities			
Lease liabilities		484	692
Deferred tax liabilities		456	1,031
Total Non-current Liabilities		940	1,723
Net Assets		372,884	342,747
Capital and Reserves			
Share capital	<i>11</i>	31,586	31,586
Reserves		263,397	298,285
Equity attributable to owners of the Company		294,983	329,871
Non-controlling interests		77,901	12,876
		372,884	342,747

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2020

	Attributable to owners of the Company									Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Equity investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2020 (audited)	31,586	329,194	20,881	(5,255)	3,692	(12,570)	(37,657)	329,871	12,876	342,747
Non-controlling interests arising from establishment of a new subsidiary	-	-	-	-	-	-	-	-	72,651	72,651
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(5,377)	(5,377)
Loss for the period	-	-	-	-	-	-	(30,116)	(30,116)	(2,249)	(32,365)
Other comprehensive loss for the period	-	-	-	-	(2,801)	(3,357)	-	(6,158)	-	(6,158)
Total comprehensive loss for the period	-	-	-	-	(2,801)	(3,357)	(30,116)	(36,274)	(2,249)	(38,523)
Equity-settled share-based payment expense	-	-	1,386	-	-	-	-	1,386	-	1,386
At 30 June 2020 (unaudited)	31,586	329,194	22,267	(5,255)	891	(15,927)	(67,773)	294,983	77,901	372,884

	Attributable to owners of the Company									Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Equity investment revaluation reserve HK\$'000	(Accumulated losses)/retained earnings HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2019 (audited)	31,459	327,928	12,598	(5,255)	2,056	126	(4,039)	364,873	6,279	371,152
Loss for the period	-	-	-	-	-	-	(14,747)	(14,747)	(199)	(14,946)
Other comprehensive (loss)/income for the period	-	-	-	-	(1,245)	(126)	-	(1,371)	993	(378)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,245)	(126)	(14,747)	(16,118)	794	(15,324)
Equity-settled share-based payment expense	-	-	4,897	-	-	-	-	4,897	-	4,897
Issuance of ordinary shares from exercise of share options	127	1,266	-	-	-	-	-	1,393	-	1,393
At 30 June 2019 (unaudited)	31,586	329,194	17,495	(5,255)	811	-	(18,786)	355,045	7,073	362,118

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six-month period ended 30 June 2020*

	Six-month period ended June 30	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(32,937)	(14,946)
Adjustments for:		
Equity-settled share-based payment expense	1,386	4,897
Depreciation of property, plant and equipment	13,204	2,803
Share of losses of associates	67	124
Interest income	(412)	(4,994)
Finance cost	665	–
Exchange differences, net	1,059	(53)
	(16,968)	(12,169)
Increase in trade receivables	(565)	(2,373)
Increase in prepayments, deposits and other receivables	(21,323)	(542)
Increase/(decrease) in trade payables	(3,321)	649
Decrease in other payables and accruals	17,765	(532)
Increase in amounts due to related parties	–	14
Cash used in operations	(24,412)	(14,953)
Income taxes paid	(17)	–
Net cash flows used in operating activities	(24,429)	(14,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(93,607)	(20,905)
Prepayment for data processor	(22,304)	–
Advance of loan to an independent third party	(30,000)	(11,368)
Repayment from loan receivables	57,486	–
Interest received	178	1,693
Net cash flows generated from investing activities	(88,247)	(30,580)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

For the six-month period ended 30 June 2020

	Six-month period ended	
	June 30	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment to)/advance from a related party	(11,380)	11,256
Advance from an independent third party	–	16,279
Contributions from non-controlling shareholders	72,802	–
Cash settlement for share options	–	1,393
Net cash flows generated from financing activities	61,422	28,928
NET DECREASE IN CASH AND		
CASH EQUIVALENTS	(51,254)	(16,605)
Cash and cash equivalents at beginning of year	95,030	198,221
Effect of foreign exchange rate changes, net	1,937	482
CASH AND CASH EQUIVALENTS		
AT END OF YEAR	45,713	182,098
ANALYSIS OF BALANCES OF CASH AND		
CASH EQUIVALENTS		
Cash and bank balances	45,713	182,098
Cash and cash equivalents as stated in the statement		
of cash flows	45,713	182,098

NOTES:

(1) BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and with Hong Kong Accounting Standard 34, Interim Financial Reporting.

(2) SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2019, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. 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 period and prior years.

(3) REVENUE

An analysis of the Group's revenue for the three-month period and the six-month period ended 30 June 2020 is as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Big data centre services	55,731	5,514	127,707	6,584
Online game business	14	203	247	444
Lottery business	–	70	30	77
Money Lending business	750	–	750	–
	<u>56,495</u>	<u>5,787</u>	<u>128,734</u>	<u>7,105</u>

(4) SEGMENT INFORMATION

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 four (2019: three) 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:

- Big data centre services ("Big data centre services")
- Distribution of mobile gaming ("Online game business")
- Trading of lottery terminals and parts and provision of services and solutions for the distribution of lottery products ("Lottery business")

- Money lending (“**Money lending business**”)

The revenue derived from the provision for products and services is set out in note 3.

Geographical information

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

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

	30 June 2020 (Unaudited) HK\$’000	31 December 2019 (Audited) HK\$’000
Non-current assets, excluding financial assets		
The PRC	268,399	182,255
Hong Kong	2,317	6,812
British Virgin Island	23	25
	270,739	189,092

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue from individual customers contributing over 10% of the total revenue of the Group are as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (Unaudited) HK\$’000	2019 (Unaudited) HK\$’000	2020 (Unaudited) HK\$’000	2019 (Unaudited) HK\$’000
Customer A	14,320	–	42,859	–
Customer B	11,088	–	29,329	–
Customer C	9,248	–	16,139	–
Customer D	–	3,463	–	4,503
Customer E	–	1,496	–	1,496
	34,656	4,959	88,327	5,999

Note: Individual customers contributing over 10% of the total revenue of the Group are from the big data centre services.

(5) INCOME TAX CREDIT

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax	284	–	572	–
PRC Enterprise Income Tax				
– Current period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>284</u>	<u>–</u>	<u>572</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong Profits Tax was provided for since the Hong Kong subsidiaries have incurred losses from operations for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(6) DIVIDEND

No interim dividends had been paid or declared by the Company during the six-month period ended 30 June 2020 (2019: Nil).

(7) LOSS FOR THE PERIOD

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:				
Depreciation and amortization expense	6,531	1,761	13,204	2,803
Salaries, bonus and other benefits	7,087	4,069	14,159	7,407
Share option expense	345	4,165	1,386	4,897
Rental expense	<u>2,365</u>	<u>1,632</u>	<u>4,873</u>	<u>3,010</u>

(8) LOSS PER SHARE

The calculation of basic loss per share for the three-month period and six-month period ended 30 June 2020 is based on the loss attributable to owners of the Company of approximately HK\$12,494,000 and HK\$30,116,000 (three-month period and six-month period ended 30 June 2019: HK\$9,726,000 and HK\$14,747,000) and on the weighted average number of approximately 315,859,983 and 315,859,983 respectively (three-month period (restated) and six-month period (restated) ended 30 June 2019: 314,593,583 and 315,859,983) ordinary shares in issue during the period.

The computation of diluted loss per share in 2020 and 2019 did not include the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

(9) TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables:		
Within 30 days	19,988	18,994
31-90 days	509	117
91-180 days	12	–
181-365 days	5	1
Over 1 year	–	837
	20,514	19,949
Prepayments	31,017	1,426
Other tax assets	25,776	9,741
Utility deposits	23,516	23,945
Other deposits	3,175	386
Other receivables	1,958	3,139
Interests receivables	8	3,186
	85,450	41,823

(10) TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables:		
Within 30 days	9,629	23,793
31-90 days	10,741	122
91-180 days	18	385
181-365 days	323	—
Over 1 year	268	—
	20,979	24,300
Other payables	16,055	3,423
Amount due to a shareholder of a joint venture	2,334	2,334
Deposit received from customers	24,458	17,996
Advanced from customers	10,227	—
Accruals	246	967
	53,320	24,720

(11) SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 31 December 2019	5,500,000,000	55,000
Effect of share consolidation (<i>Note</i>)	(4,950,000,000)	—
Ordinary shares of HK\$0.1 each at 30 June 2020	550,000,000	55,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2020	3,158,599,836	31,586
Effect of share consolidation (<i>Note</i>)	(2,842,739,853)	—
Ordinary shares of HK\$0.1 each at 30 June 2020	315,859,983	31,586

Note: On 28 May 2020, the Company completed a share consolidation pursuant to which every ten issued and unissued shares of HK\$0.01 each be consolidated into one consolidated share of HK\$0.1.

(12) RELATED PARTY TRANSACTIONS

- a. During the period, the Group had the following transactions with related parties:

Class of related parties	Nature of transactions	Six-month period ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Ultimate holding company	Amounts due to a related party	–	11,368
Ultimate holding company ^{note}	Expenses recharge	148	196

Note: Expense recharge for financial management services provided by E-sun Sky Network Technology Co., Ltd., a wholly-owned subsidiary of our ultimate holding company, of HK\$148,000 constituted the continuing connected transactions of the Company but are exempt from shareholders' approval and disclosure and other requirements under Chapter 20 of the GEM Listing Rules.

- b. Compensation of key management personnel

The remuneration of Directors and other members of key management during the period is as follows:

	Six-month period ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short-term benefits	3,353	4,069
Post-employment benefits	596	9
Share-based payments	1,386	4,165
	<u>5,335</u>	<u>8,243</u>

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

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

COMPETING INTEREST

During the Reporting Period, none of the Directors, the controlling shareholder of the Company and their respective close associates (as defined in the GEM Listing Rules) had interest in any business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to safeguard the interest of 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. So far as known to the Directors, there has been no material deviation from the Code Provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 to the GEM Listing Rules during the Reporting Period, except for the Code Provision C.1.2 of the CG Code as noted hereunder.

The code provision C.1.2 of the CG Code requires that management should provide all members of the board of directors 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.

The Company has established an audit committee, a remuneration committee and a nomination committee to ensure maintenance of a high corporate governance standard. Terms of reference of the aforesaid committees have been posted on the Company's website at www.lotoie.com under the “Corporate Governance” section.

SECURITIES DEALINGS BY DIRECTORS

The Company has adopted its own code for dealing in the Company's securities by Directors (“**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. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard set out in the Code of Securities Dealings throughout the Reporting Period.

AUDIT COMMITTEE

The Company has an audit committee, which was established for the purposes of reviewing and providing supervision over the Company'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), Dr. Lu Haitian, and one non-executive Director, namely Mr. Yuan Qiang. The financial information contained in this interim results for the Reporting Period has not been audited by the auditors of the Company, but has been reviewed by the audit committee of the Company.

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

Hong Kong, 7 August 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. Lin Sen+ and Mr. Huang Jian+.*

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.