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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 2021

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 2021 (the “**Reporting Period**”) as follows:

Business Review

During the Reporting Period, the Group is principally engaged in (i) provision of data analysis and storage services (the “**Big Data Centre Services**”); (ii) proprietary cryptocurrency mining (the “**Cryptocurrency Mining Business**”); (iii) money lending business in Hong Kong (the “**Money Lending Business**”); and (iv) distribution of mobile gaming (the “**Online Game 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 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.

On 20 June and 21 June 2021, the Company announced that two big data centres have suspended its operations according to the written notice from State Grid Sichuan Ganzu Electric Power Co., Ltd. (國網四川甘孜州電力有限責任公司) and verbal notice from Sichuan Datang International Ganzu Hydropower Development Co., Ltd. (四川大唐國際甘孜水電開發有限公司), which were pursuant to the letter on assisting in the clean-up and shutdown of virtual currency “mining” projects《關於協助做好虛擬貨幣「挖礦」項目清理關停工作的函》issued by Economic and Information Bureau (經信局). In respect of the big data centre operated by Chengdu Keying Interactive Information Technology Limited (成都科盈互動信息科技有限責任公司), as disclosed in the Group’s announcement dated 25 June 2021, it had not been operating since the start of the year due to the need for various modifications. As the date of this announcement, all three big data centres are currently not in operation.

To further develop the Group’s business in the Big Data Centre Services, we are in the process of constructing a new big data centre in Hong Kong. It is expected that the new big data centre will contribute to our revenue in the late third quarter of 2021.

During the Reporting Period, the Big Data Centre Services generated revenue of approximately HK\$170.0 million, representing an increase of approximately HK\$42.3 million as compared to the corresponding period in 2020, which was primarily due to the increase in operation time as compared to the same period of last year resulting from the commenced operation of the third big data centre in June 2020.

Cryptocurrency Mining Business

With our extensive experiences in the operation and management of big data centres, the Group has kickstarted its expansion into the business of proprietary cryptocurrency mining and has purchased 1,807 data processors during the Reporting Period. 9 data processors have been placed in Hong Kong and the remaining data processors will be delivered to the Kazakhstan to mine cryptocurrencies. It is expected that the proprietary cryptocurrency mining business will contribute to our revenue in the third quarter this year.

Money Lending Business

In order to leverage our corporate expertise and resources to broaden income source, an indirect wholly-owned subsidiary of the Company, Might Winner Limited, 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\$1.5 million for the Reporting Period.

Online Game Business

The Group engaged in the distribution of online mobile games and recorded revenue of approximately HK\$0.3 million for the Reporting Period. In view of the relatively low revenue generated in this segment (being HK\$1.0 million for the year ended 31 December 2020 and HK\$0.3 million during the Reporting Period), keen competition and difficult business environment, the Board has decided to suspend the operations of the Online Game Business in June 2021. The Board considers that this would be in the best interests of the Company and its shareholders as a whole as it would enable the Group to better utilise its resources to the core businesses.

Financial Review

During the Reporting Period, the Group is engaged in four operating segments which are (1) Big Data Centre Services; (2) Cryptocurrency Mining Business; (3) Money Lending Business; and (4) Online Game Business. The Group recorded a total revenue of approximately HK\$171.9 million during the Reporting Period (six-month period ended 30 June 2020: HK\$128.7 million), representing an increase of HK\$43.2 million as compared to the corresponding period in 2020, which comprised the following:

(1) Big Data Centre Services

Revenue contributed by the Big Data Centre Services amounted to approximately HK\$170.0 million for the Reporting Period, representing an increase of HK\$42.3 million as compared to the corresponding period in 2020 (Six-month period ended 30 June 2020: HK\$127.7 million).

(2) *Cryptocurrency Mining Business*

No revenue was generated from Cryptocurrency Mining Business during the Reporting Period.

(3) *Money Lending Business*

Revenue generated from Money Lending Business amounted to approximately HK\$1.5 million for the Reporting Period, representing an increase of HK\$0.7 million as compared to the corresponding period in 2020 (six-month period ended 30 June 2020: HK\$0.8 million).

(4) *Online Game Business*

Revenue generated from Online Game Business amounted to HK\$0.3 million for the Reporting Period, representing an increase of HK\$0.1 million as compared to the corresponding period in 2020. (six-month period ended 30 June 2020: HK\$0.2 million).

Operating Results

The Group recorded a loss of approximately HK\$37.2 million for the Reporting Period, representing an increase of HK\$4.8 million or 15% as compared to a loss of HK\$32.4 million for the corresponding period in 2020, which was mainly attributable to the combined effect of:

- (i) decrease in gross profit of approximately HK\$13.9 million which was mainly due to the low water season which affects the availability of hydropower production and the aforementioned suspension of power to subsidiaries operating the big data centres;
- (ii) decrease in operating expense related to the Big Data Centre Services of approximately HK\$5.3 million which was mainly due to the decrease of one-off initial formation expenses related to the third big data centre; and
- (iii) decrease in amortisation associated with acquired intangible assets of approximately HK\$2.3 million.

Outlook

With our extensive experiences in the operation and management of big data centres, the Group expanded into the business of proprietary cryptocurrency mining and purchased 1,807 data processors in 2021. It is expected that the proprietary cryptocurrency mining business will contribute to our revenue in the third quarter of this year.

The Company will actively expand into Hong Kong and overseas markets, capitalise on our accumulated experience in the big data center business to further optimise our business content and explore new directions of development. In addition, in the new environment, we will continue to pursue improvement, adhere to the spirit of innovation, closely monitor changes in policies and market conditions, leverage our core experience and corporate resources to seek new opportunities in pursuit of the long-term benefits for the Group and our shareholders as a whole.

Dividend

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six-month period ended 30 June 2020: Nil).

Addition to property, plant and equipment

During the Reporting Period, the Company entered into a purchase agreement to procure 1,807 data processors for the expansion into the Cryptocurrency Mining Business. The data processors will be used to mine cryptocurrencies ourselves. As of 30 June 2021, the Group is of a net asset position with property, plant and equipment of HK\$237.8 million (31 December 2020: HK\$263.3 million).

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 2021, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK\$51.1 million (31 December 2020: HK\$44.3 million). Of the cash and cash equivalents as at 30 June 2021, 64% (31 December 2020: 10%) of this amount was denominated in Hong Kong dollars, with the remaining balance in Renminbi and United States dollars. The increase in bank balance and cash was mainly due to receipt of consideration for repurchase of shares of the JV Company by the JV Partner during the Reporting Period.

Gearing Ratio and Capital Structure

As at 30 June 2021, net current assets of the Group were HK\$102.4 million (31 December 2020: net current assets of HK\$94.1 million).

The Group did not have any bank borrowings for the six-month period ended 30 June 2021 (31 December 2020: Nil) and generally financed its operations with internal resources.

The gearing ratio of the Group (total bank borrowings divided by shareholders' funds) was nil as at 30 June 2021 (31 December 2020: Nil).

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**") with 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 24 months. 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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Property, plant and equipment contracted, but not provided for	<u>4,960</u>	<u>12,862</u>
	<u><u>4,960</u></u>	<u><u>12,862</u></u>

As at 30 June 2021 and 31 December 2020, 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

Disposal of a non-wholly owned subsidiary

Reference is made to the announcement of the Company dated 12 January 2021. On 12 January 2021, Interactive Lab Limited (a wholly-owned subsidiary of the Company) and Bee Computing (HK) Limited (the "**JV Partner**") (a substantial shareholder of Happy Technology Limited, the "**JV Company**") entered into a repurchase agreement, pursuant to which the JV Partner shall repurchase the shares of the JV Company held by Interactive Lab Limited at the total repurchase price in the amount of US\$2 million (the "**Repurchase**"). The consideration for the Repurchase has now been fully settled by the JV Partner and the JV Company has ceased to be a subsidiary of the Company.

Acquisition of the equity interest of Ganzhi Changhe Hydropower Consumption Service Co., Ltd. (“Changhe Hydropower”)

Reference is made to the announcement of the Company dated 28 January 2021 and circular of the Company dated 11 March 2021. On 28 January 2021, Loto Interactive Information Technology (Shenzhen) Limited (樂透互娛信息技術(深圳)有限公司) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, and Shenzhen Chengyou Technology Co., Ltd. (深圳市誠佑科技有限公司) and Mr. Guo Xiaoquan (郭筱荃) (collectively, the “**Sellers**”) entered into an acquisition agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Sellers have conditionally agreed to sell an aggregate of 49% equity interest of Changhe Hydropower (for a cash consideration of RMB88.2 million (the “**Acquisition**”). Completion of the Acquisition is conditional upon the satisfaction or waiver (as the case may be) of several conditions. The Acquisition has been completed on 31 March 2021.

Saved as disclosed above, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the Reporting Period. There was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Charges on Group Assets

None of the Group’s assets were pledged as at 30 June 2021 and 31 December 2020.

Exposure of Fluctuations in Exchange Rates

As at 30 June 2021, 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 2021, the Group had a total of 97 employees (as at 30 June 2020: 129 employees). For the Reporting Period, the employee benefits costs amounted to HK\$13.7 million (six-month period ended 30 June 2020: HK\$14.2 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.

Unconditional Mandatory Cash Offers

Reference is made to (i) the joint announcements dated 28 January 2021, 11 February 2021, 18 February 2021, 26 February 2021, 29 March 2021, 31 March 2021, 16 April 2021, 14 May 2021 and 28 May 2021; and (ii) the composite document dated 28 May 2021 (the “**Composite Document**”) jointly issued by BIT Mining Limited (formerly known as 500.com Limited) (the “**Offeror**”) and the Company in relation to the unconditional mandatory cash offers (the “**Offers**”) by BOCOM International Securities Limited for and on behalf of the Offeror to acquire all the issued shares of, and cancel all outstanding options of, the Company (other than those already owned by or agreed to be acquired by the Offeror and the parties acting in concert with it). The Offers were closed at 4:00 p.m. on 18 June 2021 and were not revised or extended. The Offeror had received: (i) valid acceptances in respect of a total of 30,642,534 offer shares under the share offer, representing 5.59% of the entire issued shares as at the closing date of the Offer; and (ii) valid acceptance in respect of a total of 6,800,000 options under the option offer (of which 6,570,000 options had an exercise price of HK\$0.26 per share and 230,000 options had an exercise price of HK\$1.1 per Share), representing approximately 17.48% of the outstanding options of the Company as at the latest practicable date of the Composite Document (i.e. 25 May 2021).

Important Events After the Reporting Period

There have been no important events significantly affecting the finances or financial prospects of the Group that have occurred since the end of the Reporting Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2021

		Three-month period ended 30 June		Six-month period ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
	Notes				
REVENUE	3	97,629	56,495	171,888	128,734
Cost of sales and service rendered		(95,553)	(52,172)	(181,448)	(124,346)
Gross profit		2,076	4,323	(9,560)	4,388
Other income and gains		26	894	755	1,451
Selling expenses		(7)	–	(28)	(7)
Administrative expenses		(17,148)	(18,248)	(28,967)	(34,319)
Finance income/(costs)		6	(507)	(73)	(665)
Other expenses		(550)	(1,320)	(551)	(3,718)
Share profits/(losses) of associates		1,193	(3)	1,225	(67)
LOSS BEFORE TAX		(14,404)	(14,861)	(37,199)	(32,937)
Income tax credit	5	–	284	–	572
LOSS FOR THE PERIOD	7	(14,404)	(14,577)	(37,199)	(32,365)
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		–	(969)	14,397	(3,357)
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		5,955	1,637	4,034	(2,801)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		5,955	668	18,431	(6,158)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(8,449)	(13,909)	(18,768)	(38,523)

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

For the six-month period ended 30 June 2021

	<i>Notes</i>	Three-month period ended 30 June		Six-month period ended 30 June	
		2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
LOSS FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owner of the Company		(14,372)	(12,494)	(31,571)	(30,116)
Non-controlling interests		(32)	(2,083)	(5,628)	(2,249)
		<u>(14,404)</u>	<u>(14,577)</u>	<u>(37,199)</u>	<u>(32,365)</u>
TOTAL COMPREHENSIVE					
LOSS FOR THE PERIOD					
ATTRIBUTABLE TO:					
Owners of the Company		(8,403)	(11,832)	(12,836)	(36,274)
Non-controlling interests		(46)	(2,077)	(5,932)	(2,249)
		<u>(8,449)</u>	<u>(13,909)</u>	<u>(18,768)</u>	<u>(38,523)</u>
LOSS PER SHARE					
ATTRIBUTABLE TO					
ORDINARY EQUITY					
HOLDERS OF THE					
COMPANY (HK cents)					
– Basic and diluted	8	<u>(2.67)</u>	<u>(4.62)</u>	<u>(7.18)</u>	<u>(10.25)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
	Notes		
Non-current Assets			
Property, plant and equipment		237,752	263,269
Right-of-use assets		5,363	6,409
Goodwill		11,837	11,703
Intangible assets		533	–
Investment in associates		2,712	2,431
Equity investment at fair value through other comprehensive income		–	5,057
Loan receivables		30,000	30,000
Total Non-current Assets		288,197	318,869
Current Assets			
Trade receivables	9	25,168	8,400
Prepayments, deposits and other receivables	9	87,432	83,018
Cash and cash equivalent		51,060	44,252
Total Current Assets		163,660	135,670
Current Liabilities			
Trade payables	10	7,036	4,611
Accruals and other payables	10	44,695	25,734
Amount due to a related company		29	467
Lease liabilities		3,293	3,360
Tax payable		6,159	7,421
Total Current Liabilities		61,212	41,593
Net Current Assets		102,448	94,077
Total Assets less Current Liabilities		390,645	412,946

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

As at 30 June 2021

		As at 30 June 2021	As at 31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Liabilities			
Lease liabilities		<u>2,518</u>	<u>3,236</u>
Total Non-current Liabilities		<u>2,518</u>	<u>3,236</u>
Net Assets		<u>388,127</u>	<u>409,710</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>11</i>	54,838	37,902
Reserves		<u>333,568</u>	<u>280,764</u>
		388,406	318,666
Non-controlling interests		<u>(279)</u>	<u>91,044</u>
TOTAL EQUITY		<u>388,127</u>	<u>409,710</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2021

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium	Share-based payment reserve	Other reserve	Exchange reserve	Equity investment revaluation reserve	Accumulated losses	Sub-Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	37,902	338,906	9,370	(5,255)	19,281	(12,653)	(68,885)	318,666	91,044	409,710
Loss for the period	-	-	-	-	-	-	(31,571)	(31,571)	(5,628)	(37,199)
Other comprehensive (loss)/income for the period	-	-	-	-	4,338	14,397	-	18,735	(304)	18,431
Total comprehensive (loss)/income for the period	-	-	-	-	4,338	14,397	(31,571)	(12,836)	(5,932)	(18,768)
Allotment and issue of shares on subscription	16,936	83,618	-	-	-	-	-	100,554	-	100,554
Purchase of non-controlling interests	-	-	-	-	-	-	(18,966)	(18,966)	(85,391)	(104,357)
Equity-settled share-based payment expense	-	-	988	-	-	-	-	988	-	988
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(11,744)	11,744	-	-	-
At 30 June 2021 (unaudited)	54,838	422,524	10,358	(5,255)	23,619	(10,000)	(107,678)	388,406	(279)	388,127

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium	Share-based payment reserve	Other reserve	Exchange reserve	Equity investment revaluation reserve	Accumulated losses	Sub-Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six-month period ended 30 June 2021*

	Six-month period ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(37,199)	(32,937)
Adjustments for:		
Equity-settled share-based payment expense	988	1,386
Depreciation of property, plant and equipment	31,391	13,204
Share of losses of associates	(1,226)	67
Interest income	(204)	(412)
Finance cost	73	665
Exchange differences, net	447	1,059
	<u>(5,730)</u>	<u>(16,968)</u>
Increase in trade receivables	(16,768)	(565)
Increase in prepayments, deposits and other receivables	11,969	(21,323)
Increase/(decrease) in trade payables	2,425	(3,321)
Decrease in other payables and accruals	18,447	17,765
Cash used in operations	10,343	(24,412)
Income taxes paid	(4)	(17)
	<u>(16,768)</u>	<u>(24,412)</u>
Net cash flows used in operating activities	10,339	(24,429)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(3,260)	(93,607)
Prepayment for data processor	(16,384)	(22,304)
Advance of loan to an independent third party	–	(30,000)
Repayment from loan receivables	–	57,486
Interest received	204	178
Disposal of equity investments at fair value through other comprehensive income	19,505	–
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries	(105,920)	–
	<u>(90,475)</u>	<u>(85,421)</u>
Net cash flows generated from investing activities	(105,855)	(88,247)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

For the six-month period ended 30 June 2021

	Six-month period ended	
	June 30	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares on subscription	100,554	–
(Repayment to)/advance from a related party	–	(11,380)
Contributions from non-controlling shareholders	–	72,802
Net cash flows generated from financing activities	100,554	61,422
NET DECREASE IN CASH AND		
CASH EQUIVALENTS	5,038	(51,254)
Cash and cash equivalents at beginning of year	44,252	95,030
Effect of foreign exchange rate changes, net	1,770	1,937
CASH AND CASH EQUIVALENTS		
AT END OF YEAR	51,060	45,713
ANALYSIS OF BALANCES OF CASH AND		
CASH EQUIVALENTS		
Cash and bank balances	51,060	45,713
Cash and cash equivalents as stated in the statement		
of cash flows	51,060	45,713

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 2020, 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 2021. 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 2021 is as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Big data centre services	96,784	55,731	170,044	127,707
Online game business	95	14	344	247
Lottery business	–	–	–	30
Money lending business	750	750	1,500	750
	<u>97,629</u>	<u>56,495</u>	<u>171,888</u>	<u>128,734</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 three (2020: 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")
- Money lending ("Money lending business")
- Distribution of mobile gaming ("Online game 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 2021	31 December 2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets, excluding financial assets		
The PRC (excluding Hong Kong)	254,216	273,479
Hong Kong	3,973	10,318
British Virgin Island ("BVI")	8	15
	258,197	283,812

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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A	15,253	–	37,643	–
Customer B	5,170	11,088	19,600	29,329
Customer C	–	14,320	–	42,859
Customer D	–	9,248	–	16,139
	20,423	34,656	57,243	88,327

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		Six-month period ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax	–	284	–	572
	<u>–</u>	<u>284</u>	<u>–</u>	<u>572</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 2021 (2020: Nil).

(7) LOSS FOR THE PERIOD

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:				
Depreciation and amortisation expense	15,677	6,531	31,391	13,204
Salaries, bonus and other benefits	7,101	7,087	13,735	14,159
Share option expense	165	345	988	1,386
Rental expense	<u>2,041</u>	<u>2,365</u>	<u>3,421</u>	<u>4,873</u>

(8) LOSS PER SHARE

The calculation of basic loss per share for the three-month period and six-month period ended 30 June 2021 is based on the loss attributable to owners of the Company of approximately HK\$14,372,000 and HK\$31,571,000 respectively (three-month period and six-month period ended 30 June 2020: HK\$12,494,000 and HK\$30,116,000) and on the weighted average number of approximately 439,513,191 and 439,513,191 respectively (three-month period and six-month period ended 30 June 2020: 315,859,983 and 315,859,983) ordinary shares in issue during the period.

The computation of diluted loss per share in 2021 and 2020 does 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 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade receivables:		
Within 30 days	9,364	7,250
31-90 days	15,804	1,124
91-180 days	–	4
181-365 days	–	17
Over 1 year	–	5
	<u>25,168</u>	<u>8,400</u>
Other receivables	7,419	2,436
Other receivable from a shareholder of a subsidiary	–	15,549
Other tax assets	23,042	24,264
Utility deposits	16,441	16,254
Other deposits	884	943
Prepayments	<u>40,714</u>	<u>24,640</u>
	88,500	84,086
Impairment of other receivables	<u>(1,068)</u>	<u>(1,068)</u>
	<u><u>87,432</u></u>	<u><u>83,018</u></u>

(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 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables:		
Within 30 days	4,942	1,057
31-90 days	2,094	2,702
91-180 days	–	194
181-365 days	–	63
Over 1 year	–	595
	7,036	4,611
Other payables	3,605	3,697
Amount due to a shareholder of a joint venture	2,334	2,334
Deposit received from customers	33,233	12,091
Construction cost payables	4,960	5,025
Accruals	563	2,587
	44,695	25,734

(11) SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2020	550,000,000	55,000
Ordinary shares of HK\$0.1 each at 30 June 2021	650,000,000	65,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 1 January 2021	379,023,983	37,902
Ordinary shares of HK\$0.1 each at 30 June 2021	548,378,822	54,838

(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	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Ultimate holding company ^{note 1}	Expenses recharge	–	148
Ultimate holding company ^{note 2}	Storage and comprehensive Big Data Centre Services	8,266	–

Note 1: 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.

Note 2: Ganzi Changhe Hydropower Consumption Service Co., Ltd. (“**Changhe Hydropower**”), Chongqing Yusheng Information Technology Co., Ltd. (重慶宇盛信息技術有限公司) (“**Chongqing Yusheng**”), an indirect wholly-owned subsidiary of our ultimate holding company, and BIT Mining Limited (“**BIT Mining**”) entered into a services framework agreement and supplemental framework agreement to the services framework agreement, pursuant to which Changhe Hydropower will provide storage and comprehensive Big Data Centre Services in respect of the data processors placed by BIT Mining (for itself and on behalf of its subsidiaries) in the big data centre operated by Changhe Hydropower, which constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules and the Company has complied with the relevant requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of such transaction.

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short-term benefits	3,286	3,353
Post-employment benefits	–	596
Share-based payments	988	1,386
	<u>4,274</u>	<u>5,335</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

As disclosed by the controlling shareholder of the Company, namely BIT Mining Limited, during the Reporting Period, BIT Mining Limited is engaged in, amongst other things, the cryptocurrency mining business. As such, BIT Mining Limited has interest in business which may be considered to potentially compete with the Cryptocurrency Mining Business of the Group.

Save as disclosed above, 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 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. 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) and Dr. Lu Haitian, and one non-executive Director, namely Mr. Yang Xianfeng. 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
Yan Hao

Chief Executive Officer and Executive Director

Hong Kong, 9 August 2021

As at the date of this announcement, the Board of Directors comprises Ms. Zhang Jing (Chairman), Mr. Yan Hao# (Chief Executive Officer), Ms. Huang Lilan#, Mr. Yang Xianfeng*, 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.