乐透互娱
LOTO INTERACTIVE

Loto Interactive Limited

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

FIRST QUARTER RESULTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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.*

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board (the "**Board**") of Directors of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the three-month period ended 31 March 2022 (the "**Reporting Period**") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three-month period ended 31 March 2022

		For the three-month period ended 31 March	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**7,635**	74,259
Cost of sales and service rendered		**(6,842)**	(85,895)
Gross (loss)/profit		**793**	(11,636)
Other income and gains		**21**	729
Selling expenses		**–**	(21)
Administrative expenses		**(7,137)**	(11,819)
Other expenses		**(21)**	(1)
Share of profit/(loss) of associates		**(18)**	32
Finance costs		**(98)**	(79)
LOSS BEFORE TAX		**(6,460)**	(22,795)
Income tax credit	*4*	**–**	–
LOSS FOR THE PERIOD		**(6,460)**	(22,795)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) 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/(loss)		**–**	14,397
Exchange differences on translation of foreign operations		**371**	(1,921)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the three-month period ended 31 March 2022

		For the three-month period ended 31 March	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX		**371**	12,476
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(6,089)**	(10,319)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(6,460)**	(17,199)
Non-controlling interests		**–**	(5,596)
		(6,460)	(22,795)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(5,870)**	(4,433)
Non-controlling interests		**(219)**	(5,886)
		(6,089)	(10,319)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(HK cents)*	*6*		
– Basic and diluted		**(1.18)**	(4.52)

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 2021, 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 2022. 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.

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 unaudited consolidated financial statements.

(3) REVENUE

An analysis of the Group's revenue for the three-month period ended 31 March 2022 is as follows:

	Three-month period ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Big data centre services	**6,885**	73,260
Money lending business	**750**	750
Online game business	**–**	249
	7,635	74,259

(4) INCOME TAX CREDIT

	Three-month period ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Deferred tax	**–**	–
PRC Enterprise Income Tax – current period	**–**	–
	–	–

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising from Hong Kong for the three-month period ended 31 March 2022 and its corresponding period in 2021.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

(5) DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three-month period ended 31 March 2022 (the three-month period ended 31 March 2021: Nil).

(6) LOSS PER SHARE

The calculation of basic loss per share for the three-month period ended 31 March 2022 is based on the unaudited loss attributable to owners of the Company of approximately HK$6.5 million (three-month period ended 31 March 2021: HK$17.2 million) and on the weighted average number of approximately 548,378,822 (three-month period ended 31 March 2021: 380,905,703) ordinary shares in issue during the period.

The computation of diluted loss per share in the three-month periods ended 31 March 2022 and 2021 respectively did not include the Company's outstanding share options since their assumed exercise would result in the decrease in the diluted loss per share.

(7) SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company								
	Issued capital	Share premium	Share-based payment reserve	Other reserve	Exchange reserve	Accumulated losses	Sub-Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2022 (audited)	**54,838**	**422,524**	**10,989**	**(5,255)**	**26,930**	**(372,793)**	**137,233**	**(232)**	**137,001**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(6,460)**	**(6,460)**	**–**	**(6,460)**
Other comprehensive (loss)/ income for the period	**–**	**–**	**–**	**–**	**590**	**–**	**590**	**(219)**	**371**
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**–**	**590**	**(6,460)**	**(5,870)**	**(219)**	**(6,089)**
Equity-settled share-based payment expense	**–**	**–**	**175**	**–**	**–**	**–**	**175**	**–**	**175**
At 31 March 2022 (unaudited)	**54,838**	**422,524**	**11,164**	**(5,255)**	**27,520**	**(379,253)**	**131,538**	**(451)**	**131,087**

	Attributable to owners of the Company									
	Issued capital	Share premium	Share-based payment reserve	Other reserve	Exchange reserve	Equity investment revaluation reserve	Accumulated losses	Sub-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 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	–	–	–	–	–	–	(17,199)	(17,199)	(5,596)	(22,795)
Other comprehensive (loss)/ income for the period	–	–	–	–	(1,631)	14,397	–	12,766	(290)	12,476
Total comprehensive (loss)/ income for the period	–	–	–	–	(1,631)	14,397	(17,199)	(4,433)	(5,886)	(10,319)
Issuance 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	–	–	823	–	–	–	–	823	–	823
Disposal of equity investments at fair value through other comprehensive income	–	–	–	–	–	(11,744)	11,744	–	–	–
At 31 March 2021 (unaudited)	54,838	422,524	10,193	(5,255)	17,650	(10,000)	(93,306)	396,644	(233)	396,411

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in (i) the provision of data analysis and storage services (the "**Big Data Centre Services**"), (ii) data processors leasing services (the "**Data Processors Leasing Services**") and (iii) money lending business in Hong Kong (the "**Money Lending Business**").

Big Data Centre Services

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

The big data centre in Hong Kong, with a maximum processing capacity of approximately 1,400 kWh, commenced business in November 2021 and generated a revenue of approximately HK$6.9 million in the Reporting Period.

The big data centre in Sichuan Province, the People's Republic of China (the "**PRC**"), which was operated by Chengdu Keying Interactive Information Technology Limited (成都科盈互動信息科技有限公司) was closed in January 2022. The other two big data centres in Sichuan Province, the PRC, which were respectively operated by Ganzi Changhe Hydropower Consumption Service Co., Ltd. (甘孜州長河水電消納服務有限公司) and Sichuan Lecai Yuntian Network Technology Co., Ltd. (四川省樂彩雲天網絡科技有限公司) will be closed. The Company has made provision of impairment of fixed assets caused by the Group's plan to demolish the machinery and equipment of these three big data centres.

During the Reporting Period, the Big Data Centre Services generated a revenue of approximately HK$6.9 million, representing a significant decrease as compared to the corresponding period in 2021, which was primarily due to the termination of operation of the three big data centres in Sichuan Province, the PRC.

Data Processors Leasing Services

The Group has purchased 1,807 data processors in 2021 and started leasing the same to independent third parties in Kazakhstan from October 2021. Due to the political turmoil and power outages in Kazakhstan from January 2022, our customers' businesses were adversely affected. After liaising with our customers, the Group agreed to temporarily waive their rental fees for renting the Group's data processors during the power outages and until the power supply is restored.

Money Lending Business

In order to leverage our corporate expertise and resources to broaden our income source, an indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license in Hong Kong 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 a revenue of approximately HK$0.8 million for the Reporting Period.

Financial Review

The Group is engaged in three operating segments which are (1) Big Data Centre Services, (2) Data Processors Leasing Services, and (3) Money Lending Business. The Group recorded a total revenue of approximately HK$7.6 million during the Reporting Period (three-month period ended 31 March 2021: HK$74.3 million), representing a decrease of HK$66.7 million, which comprised the following:

(1) Big Data Centre Services

Revenue contributed by the Big Data Centre Services amounted to approximately HK$6.9 million for the Reporting Period, representing a decrease of HK$66.4 million as compared to the corresponding period in 2021 (three-month period ended 31 March 2021: HK$73.3 million).

(2) Data Processors Leasing Services

No revenue was generated from Data Processors Leasing Services for the Reporting Period (three-month period ended 31 March 2021: Nil).

(3) Money Lending Business

Revenue generated from the Money Lending Business amounted to approximately HK$0.8 million for the Reporting Period (three-month period ended 31 March 2021: HK$0.8 million).

Operating Results

The Group recorded a loss of approximately HK$6.5 million for the Reporting Period, representing a decrease of HK$16.3 million or 71.5% as compared to a loss of HK$22.8 million for the corresponding period in 2021, which was mainly attributable to the combined effect of:

(i) increase in gross profit of approximately HK$12.4 million of the Big Data Centre Services which was due to the decrease in cost of sales and service rendered of approximately HK$79.1 million owing to the provision of impairment of the relevant machinery and equipment of the three big data centres in Sichuan Province, the PRC in 2021, the decrease of which was considerably greater than the decrease in revenue of the Big Data Centre Services as a result of the termination of operation of such big data centres from June 2021 which amounted to approximately HK$66.6 million; and

(ii) decrease in staff cost of approximately HK$2.5 million which was attributable to the decreased number of employees due to termination of operation of the three big data centres.

LOAN RECEIVABLES

An indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license in Hong Kong in January 2020. On 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 million at an interest rate of 10% per annum for a term of 24 months. The repayment of the Loan was guaranteed by a director and the sole beneficial owner (the "**Guarantor**") of the Borrower. Interests for the first 12 months shall be repaid in the first year and the principal amount and interests for remaining period ("**Second Tranche Interest**") shall be repaid on or before 2 April 2022. The Borrower has paid the interests for the Loan for the first 12 months in the amount of HK$3 million in accordance with the loan agreement and the Second Tranche Interest was due by 2 April 2022 according to the loan agreement. On 1 April 2022, the Group entered into a supplemental loan agreement with the Borrower and the Guarantor to extend the repayment date of the Loan by 24 months to 2 April 2024 at an interest rate of 10% per annum and to extend the payment date of the Second Tranche Interest to 4 April 2022. The Second Tranche Interest was paid by the Borrower on 4 April 2022.

OUTLOOK

The Company is actively exploring the development of big data centres in other regions such as North America in line with the Group's overall development strategy, in order to seize the opportunity to meet market demand and expand our big data centre business. In addition, the Group will keep leasing the previously purchased data processors to independent third parties to generate rental income. Upon securing stable power sources elsewhere for its big data centre business in the future, the Group may also diversify its business by tapping into the realm of proprietary cryptocurrency mining business. In addition, in the new and changing business 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 (three-month period ended 31 March 2021: Nil).

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed by BIT Mining Limited (being the controlling shareholder of the Company), during the Reporting Period, BIT Mining Limited was engaged in, amongst other things, the provision of data centre services. As such, BIT Mining Limited has interest in a business which may be considered to potentially compete with the business in providing Big Data Centre Services of the Group. Save as disclosed above, none of the Directors, the controlling shareholder of the Company or 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.

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. Yang Xianfeng. The financial information contained in this first quarter 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, 11 May 2022

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 Listed Company Information" 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.