



# Loto Interactive Limited

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 8198)

[www.lotoie.com](http://www.lotoie.com)



# 2022 INTERIM REPORT

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

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*This report, 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 report 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 report 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 2022 (the “**Reporting Period**”) as follows:

### 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\$13.8 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 in 2022. 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\$13.8 million, representing a decrease of approximately HK\$156.2 million 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. The Group has made provision of impairment of fixed assets based on the market value of the data processors due to the data processors have been lying idle.

### *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, 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 for a term of 24 months at an interest rate of 10% per annum. 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.

During the Reporting Period, the Money Lending Business generated a revenue of approximately HK\$1.5 million. The Group will continue to maintain its prudent risk management policy in order to control the quality of its loan portfolio, and balance profitability and risk management.

## 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\$15.3 million during the Reporting Period (six-month period ended 30 June 2021: HK\$171.9 million), representing a decrease of HK\$156.6 million, which comprised the following:

### *(1) Big Data Centre Services*

Revenue contributed by the Big Data Centre Services amounted to approximately HK\$13.8 million for the Reporting Period, representing an decrease of HK\$156.2 million as compared to the corresponding period in 2021 (six-month period ended 30 June 2021: HK\$170.0 million).

### *(2) Data Processors Leasing Services*

No revenue was generated from Data Processors Leasing Services for the Reporting Period.

### *(3) Money Lending Business*

Revenue generated from Money Lending Business amounted to approximately HK\$1.5 million for the Reporting Period, the same as the amount for the corresponding period in 2021 (six-month period ended 30 June 2021: HK\$1.5 million).

## Operating Results

The Group recorded a loss of approximately HK\$25.4 million for the Reporting Period, representing a decrease of HK\$11.8 million or 31.7% as compared to a loss of HK\$37.2 million for the corresponding period in 2021, which was mainly attributable to the combined effect of:

- (i) decrease in gross loss of approximately HK\$8.5 million of the Big Data Centre Services which was due to the decrease in cost of sales and service rendered of approximately HK\$165.1 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\$156.6 million;
- (ii) decrease in staff cost of approximately HK\$6.4 million which was attributable to the decreased number of employees due to the termination of operation of the three big data centres;
- (iii) decrease in rental expense of approximately HK\$1.9 million which was due to the termination operation of the three big data centres; and
- (iv) offset by the increase in the provision of impairment of fixed assets of approximately HK\$5.3 million which was due to the data processors having been lying idle in Kazakhstan from January 2022.

## Outlook

The Company is actively exploring the development of big data centres in other regions in line with the Group's overall development strategy, in order to seize opportunities to meet market demand and expand our big data centre business. Reference is made to the joint announcement of the Company and Manful Kingdom Limited (the "Offeror") dated 20 July 2022 in relation to, amongst other things, possible mandatory unconditional cash offer (the "Offers") by Lego Securities Limited for and on behalf of the Offeror.

It is the intention of the incoming controlling shareholder of the Company, Manful Kingdom Limited, to continue the development of the Group's existing business. Following the close of the Offers, the Offeror will conduct a review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth.

Potential investors and shareholders of the Company are also advised to read the composite document in relation to the mandatory general offer to be despatched where further information of the Offeror's future intention on the Group's business will be contained.

## Dividend

The Directors do not recommend the payment of an interim dividend for the Reporting Period (six-month period ended 30 June 2021: Nil).

## Addition to property, plant and equipment

During the Reporting Period, neither the Company nor any of its subsidiaries purchased any fixed assets.

## 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 2022, the Group's bank balances and cash (including bank deposits with original maturity over three months) amounted to HK\$29.9 million (31 December 2021: HK\$35.8 million). Of the cash and cash equivalents as at 30 June 2022, 75.4% (31 December 2021:75.9%) of this amount was denominated in Renminbi, with the remaining balance in United States dollars 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 2022, net current assets of the Group were HK\$48.2 million (31 December 2021: net current assets of HK\$88.8 million).

The Group did not have any bank borrowings for the six-month period ended 30 June 2022 (31 December 2021: 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 2022 (31 December 2021: Nil).



## Loan Receivable

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 the remaining period ("**Second Tranche Interest**") should have been repaid on or before 2 April 2022. The Borrower had 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.

## Capital Commitment and Contingent Liabilities

As at 30 June 2022 and 31 December 2021, 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

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 report.

## Charges on Group Assets

None of the Group's assets were pledged as at 30 June 2022 and 31 December 2021.

## Exposure of Fluctuations in Exchange Rates

As at 30 June 2022, 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 2022, the Group had a total of 26 employees (as at 30 June 2021: 97). For the Reporting Period, the employee benefits costs amounted to HK\$7.3 million (six-month period ended 30 June 2021: HK\$13.7 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.

## Important Events After the Reporting Period

### *Mandatory Unconditional Cash Offers*

On 12 July 2022, BIT Mining Limited as the vendor (the “**Vendor**”), and Manful Kingdom Limited as the purchaser (the “**Offeror**”) entered into a share sale and purchase agreement (the “**Share Purchase Agreement**”), pursuant to which, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase, in aggregate, 279,673,200 shares (the “**Sale Shares**”), representing approximately 51% of the entire issued share capital of the Company as at the date of the Share Purchase Agreement (as subsequently amended on 14 July 2022). The total consideration for the Sale Shares is HK\$78,308,496, equivalent to HK\$0.28 per Sale Share. The completion of the sale and purchase of the Sale Shares (the “**Share Purchase Completion**”) took place on 25 July 2022. Upon the Share Purchase Completion, the Offeror and parties acting in concert with it became interested in a total of 294,833,200 shares in the Company, representing approximately 53.76% of all the ordinary shares of HK\$0.1 each in the total issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13.5 of Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), the Offeror is required to make a mandatory unconditional cash offer to (i) acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) cancel all the outstanding share options granted by the Company pursuant to the share option schemes adopted by the Company on 18 May 2012 (the “**Offers**”). Further announcement(s) regarding the despatch of the composite document in relation to the Offers will be made by the Offeror and the Company as and when appropriate.

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

For the six-month period ended 30 June 2022

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>REVENUE</b>	3	7,635	97,629	15,270	171,888
Cost of sales and service rendered		(9,502)	(95,553)	(16,344)	(181,448)
<b>Gross profit/(loss)</b>		<b>(1,867)</b>	2,076	<b>(1,074)</b>	(9,560)
Other income and gains		230	26	251	755
Selling expenses		-	(7)	-	(28)
Administrative expenses		(17,230)	(17,148)	(24,367)	(28,967)
Finance income/(costs)		(77)	6	(175)	(73)
Other expenses		(53)	(550)	(74)	(551)
Share profits of associate		45	1,193	27	1,225
<b>LOSS BEFORE TAX</b>		<b>(18,952)</b>	(14,404)	<b>(25,412)</b>	(37,199)
Income tax credit	5	-	-	-	-
<b>LOSS FOR THE PERIOD</b>	7	<b>(18,952)</b>	(14,404)	<b>(25,412)</b>	(37,199)

Notes	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Other comprehensive (loss)/income for the period, net of tax:</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Fair value changes of equity investments at fair value through other comprehensive income	-	-	-	14,397
<b>Items that may be reclassified to profit or loss:</b>				
Exchange differences on translation of foreign operations	(3,515)	5,955	(3,144)	4,034
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(3,515)</b>	<b>5,955</b>	<b>(3,144)</b>	<b>18,431</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(22,467)</b>	<b>(8,449)</b>	<b>(28,556)</b>	<b>(18,768)</b>

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>LOSS FOR THE PERIOD</b>					
<b>ATTRIBUTABLE TO:</b>					
Owners of the Company		(18,952)	(14,372)	(25,412)	(31,571)
Non-controlling interests		-	(32)	-	(5,628)
		(18,952)	(14,404)	(25,412)	(37,199)
<b>TOTAL COMPREHENSIVE</b>					
<b>LOSS FOR THE PERIOD</b>					
<b>ATTRIBUTABLE TO:</b>					
Owners of the Company		(22,232)	(8,403)	(28,102)	(12,836)
Non-controlling interests		(235)	(46)	(454)	(5,932)
		(22,467)	(8,449)	(28,556)	(18,768)
<b>LOSS PER SHARE</b>					
<b>ATTRIBUTABLE TO</b>					
<b>OWNERS OF THE</b>					
<b>COMPANY (HK cents)</b>					
- Basic and diluted	8	(3.46)	(2.67)	(4.63)	(7.18)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		24,988	43,069
Right-of-use assets		3,488	4,185
Investment in associates		3,539	3,698
Loan receivables		30,000	–
<b>Total Non-current Assets</b>		<b>62,015</b>	50,952
<b>Current Assets</b>			
Loan receivables		–	30,000
Trade and other receivables	9	42,755	48,725
Cash and cash equivalents		29,924	35,843
<b>Total Current Assets</b>		<b>72,679</b>	114,568
<b>Current Liabilities</b>			
Trade and other payables	10	15,558	16,632
Amount due to a related company	10	849	–
Lease liabilities		4,756	5,851
Tax payable		3,278	3,278
<b>Total Current Liabilities</b>		<b>24,441</b>	25,761
<b>Net Current Assets</b>		<b>48,238</b>	88,807
<b>Total Assets less Current Liabilities</b>		<b>110,253</b>	139,759

	<i>Notes</i>	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
<b>Non-current Liabilities</b>			
Lease liabilities		800	2,758
<b>Total Non-current Liabilities</b>		800	2,758
<b>Net Assets</b>		109,453	137,001
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	54,838	54,838
Reserves		55,300	82,395
		110,138	137,233
<b>Non-controlling interests</b>		(685)	(232)
<b>TOTAL EQUITY</b>		109,453	137,001

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2022

	Attributable to owners of the Company								
	Issued capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	-	-	-	-	-	(25,410)	(25,410)	-	(25,410)
Other comprehensive loss for the period	-	-	-	-	(2,038)	-	(2,038)	(453)	(2,491)
Total comprehensive loss for the period	-	-	-	-	(2,038)	(25,410)	(27,448)	(453)	(27,901)
Equity-settled share-based payment expense	-	-	353	-	-	-	353	-	353
At 30 June 2022 (unaudited)	54,838	422,524	11,342	(5,255)	24,892	(398,203)	110,138	(685)	109,453



Attributable to owners of the Company

	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	Total equity 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)
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	-	-	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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2022

	Six-month period ended June 30	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(25,412)	(37,199)
Adjustments for:		
Equity-settled share-based payment expense	353	988
Depreciation of property, plant and equipment	9,448	31,391
Share of profits of associates	(27)	(1,226)
Interest income	(74)	(204)
Finance cost	175	73
Exchange differences, net	(33)	447
Impairment of trade receivables	1,166	–
Impairment of property, plant and equipment	6,539	–
	<b>(7,865)</b>	<b>(5,730)</b>
Change in trade receivables	2,243	(16,768)
Change in prepayments, deposits and other receivables	3,727	11,969
Change in trade payables	9	2,425
Change in amounts due to related parties	849	–
Change in accruals and other payables	(1,083)	19,232
Cash used in operations	(2,120)	11,128
Income taxes paid	–	(4)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(2,120)</b>	<b>11,124</b>

	Six-month period ended June 30	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	75	204
Purchases of property, plant and equipment	–	(3,260)
Prepayment for data processor	–	(16,384)
Proceeds from 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)
<b>Net cash flows generated from/(used in) investing activities</b>	<b>75</b>	<b>(105,855)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(3,053)	(785)
Proceeds from issue of shares	–	100,554
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(3,053)</b>	<b>99,769</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,098)</b>	<b>5,038</b>
Cash and cash equivalents at beginning of year	35,843	44,252
Effect of foreign exchange rate changes, net	(821)	1,770
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>29,924</b>	<b>51,060</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	29,924	51,060

## 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.

### (3) REVENUE

An analysis of the Group's revenue for the three-month period and the six-month period ended 30 June 2022 is as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Big data centre services	6,885	96,784	13,770	170,044
Money lending business	750	750	1,500	1,500
Online game business	–	95	–	344
	<b>7,635</b>	<b>97,629</b>	<b>15,270</b>	<b>171,888</b>

### (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 (2021: 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:

- Provision of big data centre services in PRC
- Provision of big data centre services outside PRC
- Money lending business

The revenue derived from the provision of 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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current assets, excluding financial assets		
The PRC except Hong Kong	20,724	29,965
Hong Kong	7,500	10,233
Kazakhstan	2,947	10,754
British Virgin Island	844	–
	<b>32,015</b>	<b>50,952</b>

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Customer A	6,885	–	13,770	–
Customer B	–	15,253	–	37,643
Customer C	–	5,170	–	19,600
	<b>6,885</b>	<b>20,423</b>	<b>13,770</b>	<b>57,243</b>

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

## (5) INCOME TAX CREDIT

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. No provision for PRC profits tax has been made as the PRC subsidiaries did not generate any assessable profits arising in PRC for both periods.

## (6) DIVIDEND

No interim dividends had been paid or declared by the Company during the six-month period ended 30 June 2022 (2021: Nil).

## (7) LOSS FOR THE PERIOD

	Three-month period ended 30 June		Six-month period ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:				
Depreciation and amortisation expense	4,844	15,677	9,448	31,391
Salaries, bonus and other benefits	3,521	7,101	7,312	13,735
Share option expense	177	165	352	988
Rental expense	885	2,041	1,560	3,421

## (8) LOSS PER SHARE

The calculation of basic loss per share for the three-month period and six-month period ended 30 June 2022 is based on the loss attributable to owners of the Company of approximately HK\$18,952,000 and HK\$25,412,000 respectively (three-month period and six-month period ended 30 June 2021: HK\$14,372,000 and HK\$31,571,000) and on the weighted average number of approximately 548,378,822 and 548,378,822 (three-month period and six-month period ended 30 June 2021: 439,513,191 and 439,513,191) ordinary shares in issue during the respective period.

The computation of diluted loss per share in 2022 and 2021 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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables:		
Within 30 days	2,545	5,190
31 to 90 days	5,090	1,706
91 to 180 days	–	1,520
181 to 365 days	–	1,709
Over 1 year	247	–
	7,882	10,125
Other receivables	2,315	1,536
Other tax assets	19,295	19,848
Utility deposits	9,620	10,135
Other deposits	1,706	2,503
Prepayments	3,005	5,646
	35,941	39,668
Impairment of other receivables	(1,068)	(1,068)
	34,873	38,600

## (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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade payables:		
Within 30 days	1,161	1,114
31 to 180 days	–	868
Over 1 year	830	–
	1,991	1,982
Other payables	5,846	6,262
Amount due to a shareholder of a joint venture	2,334	2,334
Deposit received from customers	4,665	5,395
Accruals	722	659
Amount due to a related company	849	–
	14,416	14,650

## (11) SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2021	650,000,000	65,000
Ordinary shares of HK\$0.1 each at 30 June 2022	650,000,000	65,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 1 January 2022	548,378,822	54,838
Ordinary shares of HK\$0.1 each at 30 June 2022	548,378,822	54,838



## (12) RELATED PARTY TRANSACTIONS

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

Class of related parties	Nature of transactions	Six-month period ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Fellow subsidiaries <sup>(note 1)</sup>	Storage and comprehensive Big Data Centre Services	–	8,266
Fellow subsidiaries <sup>(note 2)</sup>	Storage and comprehensive Big Data Centre Services	13,770	–
Fellow subsidiary <sup>(note 3)</sup>	Expenses recharge	849	–

Note 1: 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 in the Reporting Period, and BIT Mining Limited (“**BIT Mining**”) entered into a services framework agreement and supplemental framework agreement to the services framework agreement (“**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. The Services Framework Agreement was terminated in October 2021.

*Note 2:* The Company, for itself and also as agent of its wholly-owned subsidiaries and controlling companies, conditionally entered into the service agreement (“**Service Agreement**”) with BIT Mining, the controlling shareholder of the Company. Pursuant to the Service Agreement, the Company, for itself and also as agent of its wholly-owned subsidiaries and company(ies) in which the Company holds interest (the “**Controlling Companies**”), conditionally agreed to provide big data centre services to BIT Mining, for itself and also as agent of its wholly-owned subsidiaries and Controlling Companies for a period of 36 months, 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.

*Note 3:* Expenses recharge for financial management services provided by E-Sun Sky Computer (Shenzhen) Co., Limited, a wholly-owned subsidiary of our ultimate holding company in the Reporting Period, of HK\$849,000 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 Reporting Period is as follows:

	Six-month period ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term benefits	3,144	3,286
Share-based payments	352	988
	<b>3,496</b>	<b>4,274</b>

## 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of each Director and chief executive of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (I) Long positions in the shares and underlying shares of the Company

#### (a) Ordinary shares of the Company ("Shares")

Name of Director	Number of Shares held	Approximate percentage of total issued Shares
	(Note 2)	(Note 1)
Ms. Zhang Jing	137,200	0.03%

*(b) Share options granted by the Company*

<b>Name of Director</b>	<b>Number of underlying shares held pursuant to share options</b>	<b>Approximate percentage of total issued Shares</b>
	<i>(Notes 2 &amp; 3)</i>	<i>(Note 1)</i>
Ms. Zhang Jing	3,566,800	0.65%
Mr. Yan Hao	3,300,000	0.60%
Ms. Huang Lilan	2,000,000	0.36%
Mr. Yang Xianfeng	5,166,800	0.94%
Mr. Lin Sen	400,000	0.07%
Mr. Huang Jian	200,000	0.04%

*Notes:*

1. As at 30 June 2022, the total number of issued Shares was 548,378,822.
2. This represents interests held by the relevant Director as beneficial owner.
3. Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the "Share Option Scheme" section of this report.

**(II) Long positions in the shares and underlying shares of associated corporations of the Company**

**BIT Mining Limited ("BIT Mining")** *(a listed holding company of the Company)*

*(a) American depository shares ("ADS") of BIT Mining*

<b>Name of Director</b>	<b>Number of ADS held</b>	<b>Approximate percentage of total issued and outstanding shares of BIT Mining</b>
	<i>(Note 2)</i>	<i>(Note 1)</i>
Ms. Zhang Jing	33,481	0.04%
Mr. Yan Hao	471,747	0.55%
Ms. Huang Lilan	10,998	0.01%
Mr. Yang Xianfeng	479,479	0.56%

(b) *Awarded shares granted by BIT Mining*

<b>Name of Director</b>	<b>Number of awarded shares held</b>	<b>Approximate percentage of total issued and outstanding shares of BIT Mining</b>
	<i>(Notes 2 &amp; 3)</i>	<i>(Note 1)</i>
Ms. Zhang Jing	67,078	0.08%
Ms. Huang Lilan	99,000	0.12%
Mr. Yang Xianfeng	216,000	0.25%

*Notes:*

1. As at 30 June 2022, the total number of issued and outstanding shares of BIT Mining was 85,393,441.
2. This represents interests held by the relevant Director as beneficial owner.
3. Details of the 67,078 awarded shares granted to Ms. Zhang Jing are as follows:
  - 67,078 awarded shares granted on 19 July 2021 will vest on 19 July 2031.Details of the 99,000 awarded shares granted to Ms. Huang Lilan are as follows:
  - 99,000 awarded shares granted on 19 July 2021 will vest on 19 July 2031.Details of the 216,000 awarded shares granted to Mr. Yang Xianfeng are as follows:
  - 216,000 awarded shares granted on 19 July 2021 will vest on 19 July 2031.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors.

## SHARE OPTION SCHEME

The share option scheme adopted at the annual general meeting of the Company on 18 May 2012 (the "2012 Share Option Scheme") had expired on 18 May 2022. The share options granted thereunder prior to the expiry date of the 2012 Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the 2012 Share Option Scheme.

Movements of share options granted under the 2012 Share Option Scheme during the Reporting Period are set out below:

Type of participants	Number of share options						As at 30 June 2022	Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2022	Granted during the period	Reclassified during the period (Note 4)	Exercised during the period	Lapsed during the period	Cancelled during the period				
<b>Directors</b>										
Ms. Zhang Jing	466,800	-	-	-	-	466,800	01.04.2019	1.10	2	
	3,100,000	-	-	-	-	3,100,000	10.08.2020	0.26	3	
	3,566,800	-	-	-	-	3,566,800				
Mr. Yan Hao	200,000	-	-	-	-	200,000	01.04.2019	1.10	2	
	3,100,000	-	-	-	-	3,100,000	10.08.2020	0.26	3	
	3,300,000	-	-	-	-	3,300,000				
Ms. Huang Lilan	1,000,000	-	-	-	-	1,000,000	01.04.2019	1.10	2	
	1,000,000	-	-	-	-	1,000,000	10.08.2020	0.26	3	
	2,000,000	-	-	-	-	2,000,000				
Mr. Yang Xianfeng	2,066,800	-	-	-	-	2,066,800	01.04.2019	1.10	2	
	3,100,000	-	-	-	-	3,100,000	10.08.2020	0.26	3	
	5,166,800	-	-	-	-	5,166,800				
Mr. Lin Sen	200,000	-	-	-	-	200,000	01.04.2019	1.10	2	
	200,000	-	-	-	-	200,000	10.08.2020	0.26	3	
	400,000	-	-	-	-	400,000				
Mr. Huang Jian	200,000	-	-	-	-	200,000	10.08.2020	0.26	3	
	200,000	-	-	-	-	200,000				
Sub-total:	14,633,600	-	-	-	-	14,633,600				

Type of participants	Number of share options							Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2022	Granted during the period	Reclassified during the period (Note 4)	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2022			
Employees	80,000	-	(30,000)	-	-	-	50,000	01.04.2019	1.10	2
	600,000	-	(30,000)	-	(100,000)	-	470,000	10.08.2020	0.26	3
Sub-total:	680,000	-	(60,000)	-	(100,000)	-	520,000			
Others (Note 6)	400,000	-	-	-	-	-	400,000	05.01.2018	2.00	1
	9,400,000	-	30,000	-	-	-	9,430,000	01.04.2019	1.10	2
	6,970,000	-	30,000	-	(10,000)	-	6,990,000	10.08.2020	0.26	3
Sub-total:	16,770,000	-	60,000	-	(10,000)	-	16,820,000			
<b>Total:</b>	<b>32,083,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(110,000)</b>	<b>-</b>	<b>31,973,600</b>			

**Notes:**

1. The share options granted on 5 January 2018 are divided into 3 tranches exercisable from 5 January 2018, 5 January 2019 and 5 January 2020 respectively to 4 January 2028.
2. The share options granted on 1 April 2019 are divided into 3 tranches exercisable from 1 April 2019, 1 April 2020 and 1 April 2021 respectively to 31 March 2029.
3. The share options granted on 10 August 2020 are divided into 3 tranches exercisable from 10 August 2020, 10 August 2021 and 10 August 2022 respectively to 9 August 2030.
4. To better reflect certain grantee's position in relation to the Group, their respective types of participant have been reclassified from employees to others as appropriate.
5. During the Reporting Period, no share options were granted, exercised and cancelled under the 2012 Share Option Scheme.
6. The category "Others" represents the consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognising their services similar to those rendered by employees of the Group.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of persons (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

### Long positions in the Shares

Name	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of total issued Shares
			(Note 1)
BIT Mining	Beneficial owner	327,868,805	59.79%
Mr. Law Man San Vincent ("Mr. Law") (Note 2)	Interest in controlled corporations	327,868,805	59.79%
	Beneficial owner	184,000	0.03%
Ms. Yuan Ping ("Mrs. Law") (Note 3)	Interest of spouse	328,052,805	59.82%

Notes:

- As at 30 June 2022, the total number of issued Shares was 548,378,822.
- Mr. Law was deemed to be interested in 327,868,805 Shares held by BIT Mining through his controlled corporations, Good Luck Capital Limited and Delite Limited. He was also interested in 184,000 Shares in the capacity of beneficial owner.
- Mrs. Law was deemed to be interested in all Shares held by Mr. Law pursuant to the SFO.

Save as disclosed above, as at 30 June 2022, the Company has not been notified of any other interests or short positions in the Shares or underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.



## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed by BIT Mining (being the controlling shareholder of the Company during the Reporting Period), it was engaged in, amongst other things, the provision of data centre services during the Reporting Period. As such, BIT Mining 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 during the Reporting Period 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.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, there were no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Reporting Period, nor were there any other contracts of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

## 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, save for the code provision D.1.2 of the CG Code as noted hereunder.

The code provision D.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 during the Reporting Period, 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](http://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. Yang Xianfeng. The financial information contained in this interim report 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, 14 August 2022

*As at the date of this report, 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*