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Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of Loto Interactive Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 dated 23 March 2022 (the “**Annual Report**”). Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless otherwise stated.

The Company would like to supplement the following further information in respect of the independent asset valuation relating to the impairment of the property, plant and equipment of note 16 “Property, Plant and Equipment” in the section headed “Notes to the Consolidated Financial Statements” on page 122 of the Company’s Annual Report:

IMPAIRMENT LOSS FOR MACHINERY AND EQUIPMENT

The Group carried out reviews of the recoverable amount of its machinery and equipment in 2021 pursuant to Hong Kong Accounting Standards 36 “Impairment of Assets” as a result of suspension of power supply to the three big data centres operated by our subsidiaries in the PRC. These assets are used in the Group’s PRC Big Data Centre Services segment. The reviews led to the recognition of an impairment loss of approximately HK\$199,549,000, that has been recognised in profit or loss. The recoverable amount of the relevant assets of HK\$36,193,000, which mainly represents valuation of the recyclable materials remained from dismantling of the machinery and equipment of the three big data centres, has been determined on the fair value less costs of disposal using market comparable approach (level 2 fair value measurements) based on valuation (the “**Valuation**”) by an external independent qualified PRC valuer (the “**Valuer**”).

KEY ASSUMPTIONS ADOPTED IN THE VALUATION

The Valuation was determined by the Valuer with the following key assumptions:

- It is assumed that the relevant assets had no ownership defects and the relevant assets were to be sold under public markets in a timely manner;
- It is assumed that there will be no major changes in the political, economic and social environments in the relevant countries, and the domestic currency exchange rates, interest rates, taxation, prices, and industrial policies;
- The Valuation does not take into account the effect of inflation factors; and
- It is assumed that there will be no other unpredictable and force majeure factors that will result in any material adverse impact.

VALUATION METHODOLOGY AND VALUE OF INPUTS USED

The valuation methodology with the use of the market comparable approach had been principally determined by the Valuer based on the applicable rule of the Assets Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》). The recoverable amount of the machinery and equipment with impairment indication was principally determined with reference to the price of recyclable materials (net of taxes) from dismantling of these assets, netting off the relevant cost of disposal.

PARAMETERS ADOPTED IN THE VALUATION

1. Determination of prices of recyclable materials

The prices of the recyclable materials of the machinery and equipment including steel, iron, stainless steel, aluminum, copper, polyvinyl chloride, polypropylene, fiber-reinforced plastic as of 31 December 2021 (the “**Valuation Benchmark Date**”) were determined based on market research conducted by the Valuer and the mid-point prices have been adopted in the Valuation; set below are details of the prices of materials adopted in the Valuation:

Nature of materials	Material category & specifications	Resalable Prices (net of taxes) adopted in the Valuation (RMB/Ton)
Steel	Heavy scrap steel (重廢鋼) ≥6mm	3,090.00
	Medium scrap steel (中廢鋼) ≥4mm	2,890.00
	Unified scrap steel (統廢鋼) ≥ 2mm <<4mm	2,640.00
	Thin scrap steel (輕薄廢鋼) >1mm	3,140.00
Iron	Unified scrap iron (統一廢鐵)	2,440.00
	Crude iron (機件生鐵)	2,510.00
	Stamped iron (衝花鐵邊料)	2,610.00
	Motor iron (馬達鐵)	2,580.00
Stainless steel	Domestic 304 sabot clippings, Ni: 7.7% (304回爐邊料國產)	9,720.00
	316 stainless steel scrap (316回爐舊料)	15,270.00
	Shredded stainless steel (破碎不銹鋼)	10,320.00
	430 solids (430爐料)	4,540.00
Aluminum	Shredded taint (破碎熟鋁)	15,200.00
	Shredded tense (破碎生鋁)	16,450.00
	Aluminum alloy (合金鋁)	17,350.00

Nature of materials	Material category & specifications	Resalable Prices (net of taxes) adopted in the Valuation (RMB/Ton)
Copper	1# bare bright (1#光亮銅線)	64,100.00
	Motor Copper (馬達銅)	59,650.00
	2# Scrap copper (2#廢銅)	63,600.00
	2# copper (2#銅)	59,850.00
	Shredded brass (破碎黃銅)	43,500.00
Polyvinyl chloride (“PVC”)	PVC pipe crushing material (聚氯乙炔廢管破碎料)	2,150.00
	PVC wire sheath material (聚氯乙炔廢電線皮)	2,450.00
	PVC waste pipe material (聚氯乙炔白色廢管料)	2,700.00
	PVC Blister sheet (聚氯乙炔吸塑片)	1,350.00
	PVC Plastic steel profiles (聚氯乙炔廢塑鋼型材)	3,350.00
Polypropylene (“PP”)	PP Powder (聚丙烯粉料)	5,600.00
Fiber-reinforced plastic (“FRP”)	FRP Powder (聚丙烯粉料)	1,400.00

Note: The relevant mid-point price information were obtained and assessed by the Valuer from the PRC recyclable materials pricing platforms, www.zgfp.com/index.htm & <http://baojia.feijiu.net>.

2. Determination of the costs of disposal

The estimated cost of disposal, primarily with reference to the applicable standards of the Method for Compiling Budget Estimates For Construction Projects of Machinery Industry and Corresponding Budget Indicators (《機械工業建設項目概算編製辦法及各項概算指標》written by the Ministry of Machinery Industry of the People’s Republic of China (中華人民共和國機械工業部)), including the dismantling cost and recyclable materials loss rate is estimated to be 20% to 40% depending on the nature of machinery and equipment.

3. Determination of the valuation of the recoverable materials

The valuation of the recoverable materials was then arrived at based on the fair value determined with reference to the nature and weight of recoverable materials of the relevant machineries and equipment multiplied by their respective prices, less costs of disposal of the recyclable materials.

4. Change of valuation method or significant changes in the value of the inputs or assumptions

Since there was no impairment indicator for the Company's property, plant and equipment for the year ended 31 December 2020, no independent asset valuation had been performed by the Company and therefore there was no change of valuation method or significant value in inputs or assumptions adopted in the Valuation.

The above supplemental information does not affect other information contained in the Annual Report. Save as disclosed above, other contents of the Annual Report remain unchanged.

By order of the Board
Loto Interactive Limited
Huang Yibin

Chief Executive Officer and Executive Director

Hong Kong, 21 September 2022

As at the date of this announcement, the executive Directors are Mr. Li Hongbin (Chairman) and Mr. Huang Yibin (Chief Executive Officer); and the independent non-executive Directors are Mr. Chu, Howard Ho Hwa, Mr. Tong, I Tony and Mr. Sun Yuqiang.

This announcement, for which the Directors 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 of Hong Kong Limited 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.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company's website at www.lotoie.com.