

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

DISCLOSEABLE AND CONNECTED TRANSACTION

REPURCHASE AGREEMENT AND DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY

REPURCHASE AGREEMENT

Reference is made to the Announcements in respect of the discloseable transaction in relation to formation of a joint venture.

On 12 January 2021, Interactive Lab (a wholly-owned subsidiary of the Company) and the JV Partner entered into the Repurchase Agreement, pursuant to which the JV Partner shall repurchase the shares of the JV Company held by Interactive Lab at the total repurchase price in the amount of US\$2 million.

Upon the repurchase by the JV Partner of all the shares of the JV Company held by Interactive Lab, Interactive Lab will cease to be a shareholder of the JV Company. The JV Company will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, the JV Partner is a substantial shareholder of the JV Company, holding 49% of the interest in the JV Company, a non-wholly owned subsidiary of the Company, and therefore a connected person at the subsidiary level as defined in the GEM Listing Rules.

The Repurchase Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to the Rule 20.99 of the GEM Listing Rules.

As one or more of the application percentage ratios (as set out in Rule 19.07 of the GEM Listing Rules) for the repurchase price exceed 5% but all are less than 25%, the entering into of the Repurchase Agreement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the Announcements in respect of the discloseable transaction in relation to formation of a joint venture.

On 12 January 2021 (after trading hours), Interactive Lab (a wholly-owned subsidiary of the Company) and the JV Partner entered into the Repurchase Agreement, pursuant to which the JV Partner shall repurchase the shares of the JV Company held by Interactive Lab at the total repurchase price in the amount of US\$2 million.

Upon the repurchase by the JV Partner of all the shares of the JV Company held by Interactive Lab, Interactive Lab will cease to be a shareholder of the JV Company. The JV Company will cease to be a subsidiary of the Company.

REPURCHASE AGREEMENT

Date

12 January 2021 (after trading hours)

Parties

- (1) Transferor: Interactive Lab, a wholly-owned subsidiary of the Company; and
- (2) Transferee: the JV Partner.

As at the date of this announcement, the JV Partner is a substantial shareholder of the JV Company, holding 49% of the interest in the JV Company, a non-wholly owned subsidiary of the Company, and therefore a connected person at the subsidiary level as defined in the GEM Listing Rules.

Assets to be disposed of

Pursuant to the Repurchase Agreement, Interactive Lab has agreed to transfer, and the JV Partner has agreed to purchase, the Repurchased Shares, being 51% of the entire issued share capital of the JV Company held by Interactive Lab. The book value of the Repurchase Shares is HK\$15.5 million.

The repurchase of the Repurchased Shares is unconditional.

Consideration

The consideration payable by the JV Partner to Interactive Lab for the repurchase is US\$2 million, which shall be paid within 45 days after the date of the Repurchase Agreement.

The consideration was determined after arm's length negotiations between the Group and the JV Partner with reference to the capital contribution made by Interactive Lab to the JV Company and the net assets value of the JV Company as at 31 December 2020.

Completion

Completion will take place upon full payment of the repurchase price. It is estimated that upon completion of the repurchase, the Group will record a loss of HK\$28,000, which is calculated with reference to the carrying value of the Repurchase Shares. The Group intended to apply the proceeds to general working capital.

INFORMATION ON THE JV COMPANY

The JV Company, a company incorporated in the Cayman Islands, is principally engaged in the development and operation of the blockchain supercomputing project including the development of the technology in relation to blockchain supercomputing chip and the production of related application devices. As of the date of this announcement, the JV Company is an indirect non wholly-owned subsidiary of the Company.

As the JV Company is newly set up, no financial statements of the JV Company have been prepared. The unaudited total assets value and net assets value of the JV Company as at 31 December 2020 are approximately HK\$46.0 million and HK\$30.5 million respectively.

INFORMATION ON THE GROUP AND INTERACTIVE LAB

The Group is principally engaged in (i) provision of data analysis and storage services; (ii) distribution of mobile gaming; and (iii) money lending business in Hong Kong. Interactive Lab is a wholly-owned subsidiary of the Company and is dedicated in exploring cutting-edge technologies and applications, including games, e-sports, virtual reality an augmented reality technologies and blockchain technology.

INFORMATION ON THE JV PARTNER

The JV Partner is a limited company incorporated in Hong Kong. The JV Partner is a leading blockchain supercomputing chip design company which is jointly founded by a senior team in the semiconductor industry in March 2018. Ever since the start-up, the JV Partner has received joint investment from the founders themselves and a number of well-known investors. In early 2019, the JV Partner obtained joint investment from MediaTek Inc. (which is the world's well-known fabless semiconductor design company) and ASE Group (which is one of the world's largest semiconductor assembly and testing companies).

For further information of the JV Partner, please refer to the announcement of the Company dated 3 February 2020.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Reference is made to the Announcements. The JV Company was established pursuant to the JV Agreement and has commenced business in the first half of 2020. The JV Company is principally engaged in the project in relation to the blockchain supercomputing including the development of the technology and devices. The JV Agreement is terminated prior to the expiry of its original term of operation due to the failure of the JV Partner to complete the development of the Technology and deliver the Devices within the agreed timetable despite of extension granted by the Group. Upon completion of the repurchase under the Repurchase Agreement, the Group will receive the full amount originally contributed to the capital of the JV Company.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Repurchase Agreement are fair and reasonable, the transactions contemplated under the Repurchase Agreement are on normal commercial terms or better and are in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, the JV Partner is a substantial shareholder of the JV Company, holding 49% of the interest in the JV Company, a non-wholly owned subsidiary of the Company, and therefore a connected person at the subsidiary level as defined in the GEM Listing Rules.

The Repurchase Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to the Rule 20.99 of the GEM Listing Rules.

As one or more of the application percentage ratios (as set out in Rule 19.07 of the GEM Listing Rules) for the repurchase price exceed 5% but all are less than 25%, the entering into of the Transaction constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcements”	the announcements of the Company dated 23 January 2020 and 3 February 2020 in respect of the discloseable transaction in relation to formation of a joint venture
“Board”	the board of Directors
“Company”	Loto Interactive Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on the GEM of the Stock Exchange
“Devices”	the devices developed and produced using the Technology to the satisfaction of the JV Company pursuant to the JV Agreement
“Director(s)”	Director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries from time to time

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Interactive Lab”	Interactive Lab Limited, a wholly-owned subsidiary of the Company
“JV Agreement”	the joint venture agreement dated 23 January 2020 entered into between Interactive Lab and Bee Computing (HK) Limited in relation to the formation of the JV Company
“JV Company”	Happy Technology Limited, a company incorporated in the Cayman Islands with limited liability and an indirect non wholly-owned subsidiary of the Company, which is established pursuant to the JV Agreement
“JV Partner”	Bee Computing (HK) Limited, a company incorporated in Hong Kong, an Independent Third Party except for its interest in the JV Company
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project”	the blockchain supercomputing project including the development of the technology and the devices
“Repurchase Agreement”	the agreement dated 12 January 2021 entered into between Interactive Lab and the JV Partner to terminate the JV Agreement with effect from the date thereof
“Repurchased Shares”	the shares of the JV Company held by Interactive Lab, representing 51% of the entire issued share capital of the JV Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technology”	the technology in relation to blockchain supercomputing chip to be developed by the JV Partner pursuant to the JV Agreement
“U.S.”	the United States

“US\$” U.S. dollar(s), the lawful currency of the United States

“%” per cent.

By Order of the Board
Loto Interactive Limited
Yan Hao
Chief Executive Officer and Executive Director

Hong Kong, 12 January 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. Yuan Qiang*, Dr. Lu Haitian+, Mr. Lin Sen+ and Mr. Huang Jian+.*

Executive Director

* *Non-executive Director*

+ *Independent Non-executive Director*

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.