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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Loto Interactive Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

CONTINUING CONNECTED TRANSACTION SERVICES FRAMEWORK AGREEMENTS RELATING TO THE BIG DATA CENTRE SERVICES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



All capitalised terms used in this circular shall have the same meanings ascribed to them in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 44 of this circular.

A notice convening the EGM of the Company to be held at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong on Tuesday, 4 May 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory temperature checks and health declarations
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company encourages attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

This circular 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.

19 April 2021

CHARACTERISTICS OF GEM

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.

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing Novel Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) The Company encourages each attendee to wear a surgical face mask throughout the EGM and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No corporate gift, food or beverages will be provided at the EGM.
- (iv) Each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

To the extent permitted under law, the Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person.

The proxy form is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the "Investor Relations" section of the Company's website at www.lotoie.com or the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to contact the Company by email to info@lotoie.com or by mail to the Company Secretary at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong.

If Shareholders have any questions relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai,
Hong Kong
Website: www.computershare.com/hk/contact
Tel: 2862 8555
Fax: 2865 0990

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“ADS”	American depositary share(s) of BIT Mining
“ADS Options”	options granted by BIT Mining to subscribe for ADS
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Big Data Centre Services”	has the meaning ascribed to it under the paragraph headed “The Services Framework Agreements – Subject Matter” in this circular
“BIT Mining”	BIT Mining Limited, formerly known as 500.com Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the New York Stock Exchange under the ticker symbol “WBAI”, the controlling shareholder of the Company
“Board”	the board of Directors
“Changhe Hydropower”	甘孜州長河水電消納服務有限公司 (Ganzi Changhe Hydropower Consumption Service Co., Ltd.), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Chongqing Yusheng”	重慶宇盛信息技術有限公司 (Chongqing Yusheng Information Technology Co., Ltd.), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of BIT Mining
“Company”	Loto Interactive Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM (stock code: 8198)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of the Independent Shareholder’s approval of the Services Framework Agreements
“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps for the period from the Effective Date to 31 December 2023

DEFINITIONS

“Fixed Hourly Service Rate”	has the meaning ascribed to it under the paragraph headed “The Services Framework Agreements – Services Fees and Pricing Policy” in this circular
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian, established to advise the Independent Shareholders in respect of the terms of the Services Framework Agreements and the proposed annual caps thereto
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation permitted under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Services Framework Agreements and the proposed annual caps thereto
“Independent Shareholders”	the Shareholders other than (i) BIT Mining and its associates and (ii) all other parties (if any) who are involved in or interested in the Services Framework Agreements and the transactions contemplated thereunder
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Company’s knowledge, information and belief, are third parties independent of the Company and its connected persons
“KW/h”	kilowatt per hour
“Latest Practicable Date”	13 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Original Services Framework Agreement”	the services framework agreement dated 24 March 2021 entered into between Changhe Hydropower and Chongqing Yusheng, pursuant to which Changhe Hydropower will provide the Big Data Centre Services to Chongqing Yusheng for a term commencing from the Effective Date and expiring on 31 December 2023 (both dates inclusive)

DEFINITIONS

“PRC” or “China”	the People’s Republic of China (which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Services Framework Agreements”	the Original Services Framework Agreement as supplemented by the Supplemental Agreement
“Supplemental Agreement”	the supplemental agreement to the Original Services Framework Agreement dated 24 March 2021 entered into among Changhe Hydropower, Chongqing Yusheng and BIT Mining (for itself and on behalf of its subsidiaries), pursuant to which BIT Mining (for itself and on behalf of its subsidiaries) was added as a party to the Original Services Framework Agreement and shall assume the rights and obligations under the Original Services Framework Agreement in substitution of Chongqing Yusheng
“Share(s)”	the ordinary share of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

In this circular, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1= HK\$1.2. Such conversion rate is for illustration purposes only and should not be construed as representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

In this circular, the English translation of Chinese names of the companies incorporated in the PRC is included for information purposes only and should not be regarded as their official English translation.

LETTER FROM THE BOARD



Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

Directors:

Ms. Zhang Jing* (*Chairman*)

Mr. Yan Hao# (*Chief Executive Officer*)

Ms. Huang Lilan#

Mr. Yuan Qiang*

Dr. Lu Haitian⁺

Mr. Lin Sen⁺

Mr. Huang Jian⁺

Executive Director

* *Non-executive Director*

+ *Independent Non-executive Director*

Registered office:

P.O. Box 31119

Grand Pavilion, Hibiscus Way

802 West Bay Road

Grand Cayman, KY1-1205

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Units 813 & 815, Level 8

Core F, Cyberport 3

100 Cyberport Road

Hong Kong

19 April 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS SERVICES FRAMEWORK AGREEMENTS RELATING TO THE BIG DATA CENTRE SERVICES

INTRODUCTION

Reference is made to the announcements of the Company dated 24 March and 31 March 2021 in relation to the entering into of the Services Framework Agreements. Pursuant to the requirements under the GEM Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the Services Framework Agreements, the transactions contemplated thereunder and the related proposed annual caps for the period from the Effective Date to 31 December 2023 at the EGM.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with (i) a letter from the Board containing further details of the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps; (iv) notice of convening the EGM; and (v) other information as required under the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 24 March 2021, Changhe Hydropower, an indirect wholly-owned subsidiary of the Company, entered into the Original Services Framework Agreement with Chongqing Yusheng, pursuant to which Changhe Hydropower will provide the Big Data Centre Services to Chongqing Yusheng for a term commencing from the Effective Date and expiring on 31 December 2023 (both dates inclusive). On 31 March 2021, Changhe Hydropower, Chongqing Yusheng and BIT Mining (for itself and on behalf of its subsidiaries) entered into the Supplemental Agreement, pursuant to which BIT Mining (for itself and on behalf of its subsidiaries) was added as a party to the Original Services Framework Agreement and shall assume the rights and obligations under the Original Services Framework Agreement in substitution of Chongqing Yusheng.

Salient terms of the Services Framework Agreements are set out below:

The Services Framework Agreements

- Parties involved:**
- (i) Changhe Hydropower;
 - (ii) Chongqing Yusheng; and
 - (iii) BIT Mining (for itself and on behalf of its subsidiaries)
- Term:** For the period commencing from the Effective Date to 31 December 2023 (both dates inclusive)

Condition Precedent

The taking effect of the Services Framework Agreements is conditional upon the Independent Shareholders' approval of the Services Framework Agreements and transactions contemplated thereunder and the proposed annual caps thereto at the EGM.

LETTER FROM THE BOARD

Subject Matter

Changhe Hydropower is responsible for providing storage and comprehensive big data centre services in respect of the data processors placed by members of BIT Mining in the big data centre operated by Changhe Hydropower in Sichuan, namely the Ganzi Big Data Centre. The services include providing electricity and broadband network to and custody of the data processors, conducting daily monitoring to ensure smooth operation of the data processors, supervising server security and troubleshooting, and assisting in the maintenance of the data processors (the “**Big Data Centre Services**”).

Services Fees and Pricing Policy

In consideration of the provision of the Big Data Centre Services, the total service fees to be charged by Changhe Hydropower for the Big Data Centre Services is calculated based on the pricing formula below:

$$\begin{array}{l} \text{Big Data Centre} \\ \text{Services fee} \end{array} = \begin{array}{l} \text{Number of data processors operated by the customer} \\ \times \\ \text{Utility consumption rates of electricity (in KW/h) consumed by} \\ \text{each model type of data processors} \\ \times \\ \text{Fixed Hourly Service Rate} \\ \times \\ \text{Number of operating hours per month} \end{array}$$

In arriving at the Fixed Hourly Service Rates, the Group has a standard pricing strategy for the provision of the Big Data Centre Services applicable to all customers (including members of BIT Mining). The Group will take into account the following factors:

- (i) the number of data processors operated by the customers in the Ganzi Big Data Centre and the model type of the data processors, which will have different computing power and in turn determine the corresponding utility consumption rates;
- (ii) cost factors including (a) the prevailing hydro power price during the relevant service period, which varies due to seasonality as further explained in the paragraph headed “Seasonality for hydro power prices” below; (b) the aggregated processing capacity taken up by the data processors, and (c) the labour costs, operating costs and overheads associated with the provision and maintenance of the Big Data Centre Services including but not limited to climate control, uninterrupted electricity supply, high speed internet connection, on-site maintenance technicians and security surveillance, etc.; and
- (iii) competition factor such as the prevailing market price of the service fees charged by big data centres within the Sichuan Province for comparable services at the corresponding time.

LETTER FROM THE BOARD

The Group will firstly consider the cost factors to ensure that the Fixed Hourly Service Rates will outweigh its costs at minimum. Then, the Group will weigh in (i) the prevailing market price of the service fees charged by big data centres within the Sichuan Province for comparable services at the corresponding time; and (ii) the background, bargaining power and track record of the customers. For instance, the Group will offer a lower Fixed Hourly Service Rates to a reputable customer with large market capitalization, strong assets base, good payment and settlement record whom opts for bulk service order with high total utility consumption. After an integrated assessment of the aforementioned factors, a fixed service fee for every KW/h of electricity to be consumed by data processors per hour (the “**Fixed Hourly Service Rates**”) for the Big Data Centre Services will be determined which is applicable to all model types of data processors under the same service agreement for the relevant customer. In general, the Group will factor into a gross profit margin ranging from 20% to 30% in determining the Fixed Hourly Service Rates.

The finance department of Changhe Hydropower is responsible to monitor the hydro power price and labour and operating costs from time to time and report to the chief financial officer for any material change. The business unit staff of Changhe Hydropower will monitor, collect and evaluate the market data, including but not limited to the prevailing market price for comparable services from time to time. Both departments will then report their findings to the general manager regularly, which is responsible to perform a thorough cost and pricing analysis and make recommendation on adjustment of the Fixed Hourly Service Rates from time to time when necessary. All recommendation on price adjustment is subject to the final review and approval by the chief executive officer.

Seasonality for hydro power prices

The service fee for the Big Data Centre Service is largely driven by the hydro power price in the Sichuan province during the service period. Sichuan province has been one of the provinces with rich water resources in the PRC, primarily due to its close proximity to the upper streams of the Jinsha River, the Yalong River and the Taidu River, thus the local government has strongly supported the development of hydro power over the past years. Due to the limitation of cross-county power transmission and local power storage capacities, there has been excessive hydro power for the consumption of local businesses and residents during certain periods of the year, which is the “high water season”. The “high water season” is generally between May to October, due to the warmer weather and lower local consumption for heat. During such period, residual hydro power will be supplied to the big data centres within the industrial zones after prioritising the demand for local consumption. The hydro power price for local big data centres during the “high water season” are relatively lower and the supply of hydro power are stable, which in turn reduces the services and maintenance costs of the Group’s big data centres and advocates the demand for big data centre services by its customers as the Group can offer lower Fixed Hourly Service Rates for its Big Data Centre Services. On the contrary, the “low water season” refers to the period when there are less residual hydro power to be supplied to the big data centres within the industrial zones, which is generally between November to April, due to the colder weather and higher local consumption for heat, the relatively less residual hydro power renders higher costs for hydro power supply for big data centres which can rise up to two to three times of the hydro power price during the “high water season”. The “low water season” is considered to be the off-season for hydro power big data centres during the year due to its relatively high hydro power price, thus, during this period, the Ganzi Big Data Centre operates in a relatively low processing utilization, as the services and maintenance costs of the Group’s big data centres will be higher and the customers’ demand generally reduce as the Fixed Hourly Service Rates for its Big Data Centre Services during such service period will be higher.

LETTER FROM THE BOARD

Due to the substantially higher service fee to be charged by Chenghe Hydropower during the “low water season” as compared to the “high water season”, the users tends to relocate their data processors to the north-western part of China at which the service fees charged by other mainstream big data centres powered by solar power and conventional thermal power become more attractive during the same period. Therefore, although the Services Framework Agreements covers for a three-year term, it is expected that members of BIT Mining will place order and utilise Chenghe Hydropower’s services during the “high water season” only.

Internal Control

The Group has adopted the following internal control procedures over the continuing connected transactions of the Company:

- (a) Before entering into a continuing connected transaction, the finance department of the Group will review and ensure that the pricing is fair and reasonable by reference to:
 - the prevailing market price of the same or substantially similar services with comparable service scope and quality offered by the Group to its customers. The business unit staff of Changhe Hydropower has substantial experience and industry knowledge in the area of big data centre services. In order to ascertain the prevailing market price, they will attend industry seminars from time to time to (i) keep abreast of the latest industry development including pricing trend and fluctuation; and (ii) approach potential customers and collect market data. Often in the course of discussion and negotiation with potential customers, these customers will compare the fee quotation obtained from the Group’s competitors with an aim to bargain with the Group for the best available terms on an arm’s length basis. Hence, the business unit staff of Changhe Hydropower can grasp a general understanding on the prevailing market price from the discussion with its potential customers and further evaluate and analyze the price trend leveraging on their substantial experience and industry knowledge.
 - the historical price offered to Independent Third Parties by checking against the historical service fees of similar services and comparable general terms offered by the Group to its customers which are Independent Third Parties. The finance department also performed evaluation and assessment to ensure that the terms offered to members of BIT Mining under the Services Framework Agreements are no more favourable than those provided to independent customers under similar conditions.
- (b) In case the pricing terms under the relevant continuing connected transactions agreement are applied for the first time or the pricing terms are different from those used previously, the Board will engage an independent financial adviser to review the relevant terms.

LETTER FROM THE BOARD

- (c) The finance team is responsible for regularly monitoring the utilisation of the annual caps which require, among other things, the submission of monthly reports on the accumulated actual transaction amounts of the transactions to the Company's chief financial officer, the company secretary and the internal auditor, in order to ensure that the accumulated actual transaction amounts would not exceed the annual cap for the relevant year. The company secretary shall promptly liaise with the business team as and when the annual cap has been 80% utilised to agree and implement measures to control and avoid exceeding any of the annual caps. The contracting parties understand and agree that they must abide by the GEM Listing Rules when fulfilling their obligations under any of the terms of continuing connected transaction agreement, including but not limited to the annual caps. The contracting parties shall temporarily suspend the performance of its relevant contractual obligations specified in such agreement until the Company is able to comply with the GEM Listing Rules (including obtaining a revised annual cap for the transactions contemplated under the continuing connected transaction agreement).
- (d) The finance department of the Company will consult with the Group's chief financial officer in respect of continuing connected transaction compliance issues, who will report to the audit committee of the Company and also provide a confirmation to the audit committee that the continuing connected transactions of the Company which are subject to the annual review and disclosure requirements under the GEM Listing Rules have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and that the Group's internal control procedures applicable to continuing connected transactions are adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly.
- (e) The Company's external auditors will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the GEM Listing Rules) annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant caps have been exceeded.
- (f) The independent non-executive Directors will review the continuing connected transactions of the Company (which are subject to the annual review and disclosure requirements under the GEM Listing Rules) annually to check and confirm whether such continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

LETTER FROM THE BOARD

Payment Term

The above service fees shall be charged monthly and shall be paid by members of BIT Mining within three days after receipt of the invoice from Changhe Hydropower for the previous calendar month.

Prior to the placement and installation of the data processors by members of BIT Mining, BIT Mining shall pay to Changhe Hydropower a security deposit in the amount of RMB20,860,000 for the service period from April to May 2021, while BIT Mining shall maintain a security deposit in the amount of no less than RMB13,800,000 during the service period of May to October 2021. The actual amount of the security deposit will be adjusted from time to time depending on the actual number of data processors in operation and the applicable Fixed Hourly Service Rates during the relevant service period. Upon the expiry of the term of the Services Framework Agreements, Changhe Hydropower will return the security deposit in full to BIT Mining, provided that BIT Mining has fully paid all outstanding service fees incurred during the service period.

Proposed Annual Cap and Basis of Determination

The table below sets out the proposed annual caps under the Services Framework Agreements for the three years ending 31 December 2021, 2022, and 2023:

	From the Effective Date to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 December 2023
Proposed annual cap	RMB146,100,000 (equivalent to approximately HK\$175,320,000)	RMB160,000,000 (equivalent to approximately HK\$192,000,000)	RMB160,000,000 (equivalent to approximately HK\$192,000,000)

The proposed annual caps are determined by reference to the following factors:

- (i) the number and model types of data processors to be deployed by members of BIT Mining during the three years ending 31 December 2023 estimated with reference to:
 - (a) approximately 48,000 data processors of various model types already owned by BIT Mining, all of which are currently in operation by BIT Mining in various big data centres in the PRC and to be relocated to the Ganzi Big Data Centre throughout the three years ending 31 December 2023; and
 - (b) approximately 20,000 data processors of various model types recently acquired by BIT Mining pending delivery, or agreed to be acquired by BIT Mining in principle pursuant to executed framework agreement subject to their availability, as announced in its announcements. The majority, or the first batch of, such data processors is expected to be delivered and deployed in the Ganzi Big Data Centre since the high water season” in 2021, with the remaining, or the second batch of, such data processors to be deployed in Changhe Hydropower’s big data centre since the “high water season” in 2022;

LETTER FROM THE BOARD

- (ii) a stable Fixed Hourly Service Rate throughout the three years ending 31 December 2023; and
- (iii) a stable number of operating hours of data processors per month. The data processors generally operate on a 24/7 basis in order to maximize their performances.

There is no historical transaction between the Group and BIT Mining and/or its subsidiaries in relation to the provision of the Big Data Centre Services. The proposed annual caps to be sought for the year ending 31 December 2021 amounts to RMB146.1 million, with an increase of approximately 9.5% to RMB160.0 million for the year ending 31 December 2022, which subsequently remain unchanged at RMB160.0 million for the year ending 31 December 2023. In determining the proposed annual caps, the Company has discussed with BIT Mining in relation to its recent procurement plan for the data processors, which is in line with the number of data processors acquired or to be acquired as disclosed in its public announcements. The Company has also discussed with BIT Mining about its deployment plan of the data processors and understands that BIT Mining plans to place all data processors in the Ganzi Big Data Centre during the “high water season”. The expected increase for the year of 2022 is due to the estimated increase in number of data processors to be deployed by BIT Mining in accordance with the scheduled deliveries of the second batch of data processors as described in the announcements of BIT Mining, which are expected to be gradually deployed in the Ganzi Big Data Centre on or after the “high water season” in 2022. Meanwhile, the Group estimates the number and model types of data processors to be deployed by BIT Mining at the Ganzi Big Data Centre during the year of 2022 and 2023 is the same.

During the three years ending 31 December 2023, the Fixed Hourly Service Rate are expected to be stable and remain at the same level. The Company considers that the hydro power price has a material impact to the operating costs of its big data centre. In order to provide stable supply of power in its big data centre, the Group has established long-term cooperative relationship with the state-owned hydro power plants within the industrial zone where it is located for the provision of hydro power. Since the hydro power supply during the “high water season” is generally stable, the Company does not expect any material fluctuation in the hydro power price during the service period under the Services Framework Agreements. Therefore, the Company expects that the Fixed Hourly Service Rate shall remain the same for the three years ending 31 December 2023. Moreover, the management noted that the service fees offered by other big data centres located in the surrounding area has been at a relatively stable level without much increment over the past few years. Given Changhe Hydropower commenced operation in late June 2020 and has a relatively short track record, the Directors plan to maintain the Fixed Hourly Service Rate at the same level as any increment may weaken the competitiveness of the Changhe Hydropower in the market and adversely affect the business relationships between Changhe Hydropower and its customers.

Taking into account (i) the proposed annual caps are arrived at after due and careful assessment by the Directors after consideration of the projected deployment of the data processors on a prudent approach; (ii) the above-mentioned methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and explicit assessment criteria which can ensure that the transactions will be executed in compliance with the pricing principles stipulated, the Directors (excluding Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang who had abstained from giving their view on the Services Framework Agreements and the transactions contemplated thereunder as they hold positions in BIT Mining and including members of the Independent Board Committee) considered that the proposal annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in (i) the provision of data analysis and storage services; (ii) the distribution of mobile gaming; and (iii) the money lending business in Hong Kong.

As at the Latest Practicable Date, the Group operated three big data centres located in Sichuan Province, the PRC, which provide a comprehensive set of services to the customers, including premises, hardware support, power supply, ancillary supervision and management services. Its first big data centre is located in Ya'an (the "**Ya'an Big Data Centre**") and has a gross area of approximately 960 square metres, it has an operation capacity of providing data analysis and storage services for up to 9,500 data processors at the same time. The Ya'an Big Data Centre commenced operation in March 2019. The Group's second big data centre is located in Kangding (the "**Kangding Big Data Centre**") and has a gross area of approximately 6,750 square metres, it has an operation capacity of providing data analysis and storage services for up to 80,000 data processors at the same time. The Kangding Big Data Centre commenced operation in June 2019. The Ganzi Big Data Centre is located in Ganzi Prefecture and has a gross area of approximately 11,500 square metres, it has an operation capacity of providing data analysis and storage services for up to 136,000 data processors at the same time. The Ganzi Big Data Centre commenced operation in late June 2020.

The Directors are of view that the Big Data Centre Services are provided in the ordinary and usual course of business of the Group and will bring stable income, reinforce the Group's revenue stream and cash flow, and facilitate the future development plan of the Group. Moreover, the Group considers BIT Mining, being a company listed on the New York Stock Exchange, to be a reputable and reliable customer, whom has the ability to take up the processing capacity of the Ganzi Big Data Centre, in bulk and enhances the Group's economies of scale.

It is expected that BIT Mining will consolidate the operation of its existing data processors and upcoming data processors to be purchased and delivered into Ganzi Big Data Centre during the "high water season" between May to October for each of the three years ending 31 December 2023. During the service period, the Directors estimated that the aggregate processing capacity of the said data processors represents (i) between 40% to 50% of the aggregate processing capacity of the Ganzi Big Data Centre; and (ii) between 28% to 33% of the aggregate processing capacity of the big data centres of the Group. Nevertheless, the Directors considers that there will not be any material on reliance on BIT Mining for the following reasons:

- ***Self-sustained business operation of the Ganzi Big Data Centre since its commencement in June 2020*** – Since the operation of Ganzi Big Data Centre commenced in June 2020. Supply, the provision of the Big Data Centre Services during the "high water season" has been well received by customers. As of 31 October 2020 (i.e. the first "high water season"), Changhe Hydropower had 11 customers, all of which are Independent Third Parties, and the utilised processing capacity of Ganzi Big Data Centre had reached approximately 89% during the same period;

LETTER FROM THE BOARD

- ***Competitive service fee provided by hydro-power big data centre during the “high water season”*** – The Ganzi Big Data Centre provides more competitive price in relation to the provision of the Big Data Centre Services during the “high water season” as compared to big data centres powered by other mainstream power sources including solar power and conventional thermal power, mainly due to the lower hydro power price during the period. Due to such seasonality characteristics of the hydro power price, the demand for Big Data Centre Services provided by hydro-powered big data centres (including the Ganzi Big Data Centre) during the “high water season” is expected to increase.
- ***Well established infrastructure and compliant operation of the Ganzi Big Data Centre*** – The big data centre industry in the PRC is currently under relatively early development stage with a large spectrum of the operation standard. The Ganzi Big Data Centre is one of hydro-power big data centres in the PRC with high compliant standard, whereby it has been accredited with Internet Data Centre (IDC) license and met the relevant requirements of environmental protection and fire safety. This has enhanced quality assurance for stable and long-term operations of the data processors and promoted Chenghe Hydropower as one of the reliable big data centre service providers in the PRC;

Based on the reasons above, the Directors are of the view that there is a complementary and mutual beneficial relationship between the Company and BIT Mining under the Services Framework Agreements. While the Company can secure BIT Mining, a reputable and reliable customer with bulk purchase, for stable income, BIT Mining can also benefit from the Group’s high quality and qualified big data centre services.

As disclosed in the circular of the Company dated 11 March 2021, the demand for data centres market in the PRC is on a rising trend as a result of favorable governmental policies and rapid development of emerging technologies, including 5G, cloud computing, big data, blockchain and internet of things which drives up the demand for data processing, storage and transmission capacity. The Ganzi Big Data Centre has thus reached a remarkable 89%-utilisation rate at the first “high water season”. Nevertheless, the Group has been making a considerable effort to expand its sales and marketing network. For instance, the business unit staff of Changhe Hydropower attend industry seminars regularly to approach potential customers. With the self-sustained business operation and competitive pricing offered by the Group and the sales and marketing strategy adopted by the Group, the Company believes that it would be able to diversify its customer base and establish other forms of cooperation with other potential business partners, in the unlikely event of any termination or materially adverse change of the Services Framework Agreements.

LETTER FROM THE BOARD

Based on the latest information currently available to the Company, the Company estimates that the expected revenue derived from the provision of Big Data Centre Services to BIT Mining and its subsidiaries for each of the three years ending 31 December 2023 would not exceed 30% of the total revenue of the Group. It is emphasised that the above information is a preliminary assessment by the Directors which is subject to changes as and when the business of the Group progresses. The Company will keep monitoring the revenue contribution from BIT Mining as well as strive to diversify the Group's income sources via expanding its customer base in order to prevent any possible reliance issue. Accordingly, the Company believes that the transactions under the Services Framework Agreements with BIT Mining will not cause any business dependence or reliance issue for the Company. The Directors are not aware of any disadvantages in relation to or in connection with the provision of the Big Data Centre Services to BIT Mining.

The Directors (excluding Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang who had abstained from giving their view on the Services Framework Agreements and the transactions contemplated thereunder as they hold positions in BIT Mining and including members of the Independent Board Committee, after taking into account the advice of the Independent Financial Adviser) considered that: (i) the provision of the Big Data Centre Services are the principal business activities of Changhe Hydropower contributing its entire revenue since its operation, and the services contemplated under the Services Framework Agreements are in furtherance and continuance of its principal businesses; (ii) the transactions under the Services Framework Agreements with BIT Mining will not cause any business dependence or reliance issue for the Company; (iii) the terms and conditions of the Services Framework Agreements (including the proposed annual caps) were negotiated between the parties on an arm's length basis and are on normal commercial terms, which are fair and reasonable; and (iv) the entering into of the Services Framework Agreements and the transactions contemplated thereunder adhere to the business strategy of the Company and would further enhance the Group's revenue, thereby generating additional revenue and profits to the benefits of the Group and its Shareholders as a whole. Accordingly, they are of the view that the transactions contemplated under the Services Framework Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in (i) the provision of data analysis and storage services; (ii) the distribution of mobile gaming; and (iii) the money lending business in Hong Kong.

Changhe Hydropower

Changhe Hydropower is a company established in the PRC with limited liability on 25 April 2019 and its principal business activity is data processing and provision of application software services. As at the Latest Practicable Date, Changhe Hydropower is an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

BIT Mining

BIT Mining is a company incorporated in the Cayman Islands with limited liability and the shares of which are traded on the New York Stock Exchange under the ticker symbol “WBAI” since 2013. On 8 April 2021, its English name was changed to “BIT Mining Limited”. The new ticker symbol, “BTCM”, will become effective at the opening of trading on 20 April 2021. BIT Mining is committed to becoming a leading cryptocurrency mining enterprise. Since announcing its entry into the cryptocurrency industry in December 2020, BIT Mining has entered into definitive agreements to (i) purchase cryptocurrency mining machines, (ii) increase holdings of the Company, (iii) acquire the entire mining pool business of Bitdeer Technologies Holding Company, operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com, and (iv) acquire Bee Computing (HK) Limited, a 7-nanometer mining machine manufacturer, to unfurl an approach to the full industry chain of cryptocurrency mining. It was also an online sports lottery service provider. BIT Mining offers a comprehensive and integrated suite of online lottery services, information, user tools and virtual community venues to its users.

Chongqing Yusheng

Chongqing Yusheng, a company incorporated in the PRC, is principally engaged in machine leasing, operation and technical maintenance and encrypted digital mining. It is an indirect wholly owned subsidiary of BIT Mining, the controlling shareholder of the Group.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Chongqing Yusheng is an indirect wholly-owned subsidiary of BIT Mining. BIT Mining is a controlling shareholder of the Company and is interested in 297,226,271 Shares, representing 54.20% of the total issued share capital of the Company. Accordingly, each of BIT Mining and Chongqing Yusheng is a connected person of the Company pursuant to the GEM Listing Rules and the transactions contemplated under the Services Framework Agreements will constitute continuing connected transactions of the Company pursuant to Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as set out in Rule 19.07 of the GEM Listing Rules) in respect of the proposed annual caps under the Services Framework Agreements for each of the three years ending 31 December 2023 is more than 25%, the transactions contemplated under the Services Framework Agreements constitute continuing connected transactions of the Company and are subject to the reporting, announcement, circular, annual review and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, each of Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang holds positions in BIT Mining and thus, are materially interested in the transactions contemplated under the Services Framework Agreements, had abstained from voting on the relevant Board resolutions approving the Services Framework Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Services Framework Agreements or is required to abstain from voting on the Board resolutions for considering and approving the Services Framework Agreements and the transactions contemplated thereunder pursuant to the GEM Listing Rules.

LETTER FROM THE BOARD

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of the Services Framework Agreements.

The Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Services Framework Agreements and the transactions contemplated thereunder.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Services Framework Agreements and its proposed annual caps.

BIT Mining, being the controlling Shareholder of the Company, together with its associates, and all parties involved or interested in the Services Framework Agreements are required to abstain from voting with respect to the resolution for approving the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps at the EGM. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, no Shareholder (excluding BIT Mining and its associates) is required to abstain from voting on the resolution(s) approving the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps at the EGM.

The ordinary resolution to be proposed at the EGM will be determined by way of poll by the Independent Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not a Shareholder is able to attend the EGM, he is requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the extraordinary general meeting or any adjournment thereof (as the case may be) should he so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Advisor set out on pages 21 to 44 of this circular which contains its advice to the Independent Shareholders.

LETTER FROM THE BOARD

The Directors (excluding Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang who had abstained from giving their view on the Services Framework Agreements and the transactions contemplated thereunder as they hold positions in BIT Mining and including members of the Independent Board Committee, after taking into account the advice of the Independent Financial Adviser) consider that the Services Framework Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms offered by the Group to BIT Mining are fair and reasonable and no more favourable than those of Independent Third Parties and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for the period from the Effective Date to 31 December 2023 for the transactions contemplated under the Services Framework Agreements are fair and reasonable.

Accordingly, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) recommends the Independent Shareholders and the Shareholders (as the case may be) to vote in favour of the ordinary resolution set out in the notice of the EGM enclosed to this circular.

Yours faithfully,
For and on behalf of the Board of
Loto Interactive Limited
Yan Hao
Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Services Framework Agreements and the transaction contemplated thereunder.



Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

19 April 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION SERVICES FRAMEWORK AGREEMENTS RELATING TO THE BIG DATA CENTRE SERVICES

We refer to the circular issued by the Company dated 19 April 2021 (the “**Circular**”) to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

As we have no interests in the continuing connected transaction with BIT Mining and Chongqing Yusheng, we have been appointed by the Board as the members of the Independent Board Committee to consider, and to advise the Independent Shareholders as to the fairness and reasonableness of, the terms of the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps for the period from the Effective Date to 31 December 2023 and to recommend how the Independent Shareholders should vote at the EGM. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 18 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advise in respect of the terms of the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps for the period from the Effective Date to 31 December 2023, as set out on pages 21 to 44 of the Circular. Details of the advice and the principal factors and reasons which the Independent Financial Adviser has taken into consideration in giving such advice are set out in the “Letter from the Independent Financial Adviser” in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by the Independent Financial Advisor and its conclusion and advice, we are of the opinion that the transactions contemplated under the Services Framework Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the transactions contemplated under the Services Framework Agreements and the respective proposed annual caps for the period from the Effective Date to 31 December 2023 are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Services Framework Agreements and the respective proposed annual caps of such transactions for the period from the Effective Date to 31 December 2023.

Yours faithfully,

For and on behalf of

Independent Board Committee

Lu Haitian

Independent

non-executive Director

Lin Sen

Independent

non-executive Director

Huang Jian

Independent

non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Services Framework Agreements prepared for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

19 April 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS SERVICES FRAMEWORK AGREEMENTS RELATING TO THE BIG DATA CENTRE SERVICES

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Services Framework Agreement and the transactions contemplated thereunder, together with the proposed annual caps under the Services Framework Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 19 April 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

The Board announced that, on 24 March 2021, Changhe Hydropower entered into the Services Framework Agreement with Chongqing Yusheng (an indirect wholly-owned subsidiary of 500.com Limited, which recently renamed as BIT Mining Limited), pursuant to which Changhe Hydropower was engaged by Chongqing Yusheng to provide Big Data Centre Services for a term commencing from the Effective Date and expiring on 31 December 2023 (both dates inclusive). On 31 March 2021, Changhe Hydropower, Chongqing Yusheng and BIT Mining entered into the Supplemental Agreement, pursuant to which BIT Mining (for itself and on behalf of its subsidiaries) was added as a party to the Original Services Framework Agreement and shall assume the rights and obligations under the Original Services Framework Agreement in substitution of Chongqing Yusheng.

As at the Latest Practicable Date, BIT Mining is a controlling Shareholder of the Company and is interested in 297,226,271 Shares, representing 54.2% of the total issued share capital of the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Original Services Framework Agreement and the Supplemental agreement (collectively, the “**Services Framework Agreements**”) constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios for the proposed annual caps under the Services Framework Agreements is more than 25% on an annual basis, the Services Framework Agreements, the transactions contemplated thereunder and the proposed annual caps are subject to the notification, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise and give recommendation to the Independent Shareholders as to whether the terms of the Services Framework Agreements and the proposed annual caps under the Services Framework Agreements are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting of the resolutions to be proposed at the EGM.

We, Octal Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Services Framework Agreements and the proposed annual caps under the Services Framework Agreements in this regard. We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Group or the BIT Mining or any of their respective subsidiaries or associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as the independent financial adviser to the Company in respect of the connected transaction in relation to the share subscription under specific mandate by BIT Mining and the possible unconditional mandatory cash offers by BOCOM Securities for and on behalf of BIT Mining (details of which are set out in the announcement and circular of the Company dated 28 January 2021 and 11 March 2021 (the "**Previous Engagements**"). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the independent board committee of the Company comprising all the independent non-executive Directors and independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us in connection with this appointment and the Previous Engagements, no arrangement exists whereby we will receive any fees or benefits from the Group or BIT Mining or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussions with the management of the Company regarding the Services Framework Agreements including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information, among other things, (i) the Services Framework Agreements; (ii) the annual reports of the Company for each of the two years ended 31 December 2019 and 31 December 2020; (iii) the relevant documents in relation to the Services Framework Agreements and the Proposed Annual Caps; (iv) internal control policies of the Group in governing continuing connected transactions and relevant internal assessments conducted by the Group in relation to the Services Framework Agreements; (v) other information as set out in the Circular; and (vi) relevant market and industry information available from public sources, and we have also discussed with the Company in relation to the basis and assumptions employed by the Company in preparing the Proposed Annual Caps and compared such basis and assumptions with historical practices of the Group in the provision of Big Data Centre Services, to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and BIT Mining and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Services Framework Agreements and the proposed annual caps under the Services Framework Agreements, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into of the Services Framework Agreements

Background information of the Group and the big data centres

The Group is principally engaged in (i) the provision of data analysis and storage services; (ii) the distribution of mobile gaming; and (iii) the money lending business in Hong Kong.

As at the Latest Practicable Date, the Group operated three big data centres located in Sichuan Province, the PRC, which provide a comprehensive set of services to the customers, including premises, hardware support, power supply, ancillary supervision and management services. The customers of the Group's big data centres are mainly engaged in cryptocurrency mining business. Its first big data centre is located in Ya'an (the "**Ya'an Big Data Centre**") and has a gross area of approximately 960 square metres ("**sqm**"), it has an operation capacity of providing data analysis and storage services for up to 9,500 data processors at the same time. The Ya'an Big Data Centre commenced operation in March 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's second big data centre is located in Kangding (the “**Kangding Big Data Centre**”) and has a gross area of approximately 6,750 sqm, it has an operation capacity of providing data analysis and storage services for up to 80,000 data processors at the same time. The Kangding Big Data Centre commenced operation in June 2019.

The Group's third big data centre is located in Ganzi Prefecture (the “**Ganzi Big Data Centre**”) and has a gross area of approximately 11,500 sqm, it has an operation capacity of providing data analysis and storage services for up to 136,000 data processors at the same time. The Ganzi Big Data Centre commenced operation in late June 2020.

Financial information of the Group

Set out below is a summary of the consolidated financial information of the Company for the years ended 31 December 2018 (“**FY2018**”), 2019 (“**FY2019**”), and 2020 (“**FY2020**”) as extracted from the annual report of the Group for FY2019 (the “**2019 Annual Report**”) and FY2020 (the “**2020 Annual Report**”) respectively:

	For the year ended		
	2018	2019	2020
	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
– Lottery business	5,457	111	30
– Online game services	577	2,020	1,017
– Big data centre services	–	62,425	379,658
– Money lending services	–	–	–
	<hr/>	<hr/>	<hr/>
Total Revenue	6,034	64,556	382,955
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Gross profit	722	13,319	40,742
(Loss)/Profit for the year attributable to			
– Owners of the Company	(34,087)	(33,618)	(46,767)
– Non-controlling interests	(694)	(1,153)	3,512
	<hr/>	<hr/>	<hr/>
Net loss for the year	(34,781)	(34,771)	(43,255)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of statements of financial position

	As at 31 December		
	2018	2019	2020
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Non-current assets	29,571	194,232	318,869
Current assets	360,369	217,683	135,670
Total assets	389,940	411,915	454,539
Non-current liabilities	–	1,723	236
Current liabilities	18,788	67,445	41,593
Total liabilities	18,788	69,168	44,829
Net assets	371,152	342,747	409,710
Net assets attributable to the owners of the Company	364,879	329,871	318,666

Summary of statements of cash flows

	For the year ended		
	2018	2019	2020
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Net cash (used in) operating activities	(38,788)	(11,267)	(37,468)
Net cash generated from/ (used in) investing activities	31,541	(108,094)	(94,136)
Net cash (used in)/generated from financing activities	(1,408)	16,185	79,726
Cash and bank balances	198,221	95,030	44,252

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2019 and FY2018

The Group recorded total revenue of approximately HK\$64.6 million for FY2019, representing a substantial increase of approximately HK\$58.5 million or 9.7 times as compared to that for FY2018. The increase in revenue was primarily attributable to the revenue contributed by the two big data centres constructed by the Group which commenced business in March 2019 and June 2019 respectively, compared with no revenue generated from big data centre services for FY2018. The two big data centres are principally engaged in provision of premises, hardware support, power supply, ancillary supervision and management services to its clients. During the same period, the revenue contributed by the Group's lottery business decreased substantially due to the Group's suspension in sales of lottery terminals and parts for the sports lottery in view of the sluggish demand from the PRC lottery market. The increase in revenue and gross profit during FY2019 was offset by (i) the increase in staff cost of approximately HK\$6.7 million due to the increased number of employees for the expansion of the big data centre service business; and (ii) the impairment provision made by the Company of approximately HK\$7.7 million on investment in its associates due to the decline in its profitability, the share of loss of associates of approximately HK\$1.7 million and the deregistration of the associate during FY2019. The associate, which was principally engaged in development of mobile games, discontinued its business in 2019 as a result of intense competition in the PRC mobile game industry and tightening government policies to the industry. The combination of the aforementioned factors led to a net loss of the Group of approximately HK\$34.8 million for FY2019, which was roughly equivalent to that for FY2018.

As at 31 December 2019, the Group recorded net assets value attributable to the owners of the Company ("NAV") of approximately HK\$329.8 million, representing a decrease of approximately HK\$35.0 million or 9.6% as compared to that as at 31 December 2018. The decrease in NAV was mainly due to (i) the withdrawal of structured notes upon their maturity into cash for operational purpose; (ii) the repayment of the loan receivables; and (iii) the increase in trade payables, accruals and other payables, and was partially offset by the increase in property, plant and equipment for the big data centre services.

The Group's net cash used in operating activities decreased from approximately HK\$38.8 million for FY2018 to HK\$11.3 million for FY2019. The decrease in net cash used in operating activities was mainly due to the increase in revenue generated from the big data centres. As at 31 December 2019, the Group's cash and bank balances amounted to approximately HK\$95.0 million, representing a decrease of approximately HK\$103.2 million or 52.1% compared to that as at 31 December 2018. The decrease in cash and bank balances was mainly due to the cash payment for the construction of three big data centres of approximately HK\$176.1 million which was partially offset by the cash received by withdrawal of structured notes amounted to approximately HK\$50.0 million and the cash received by repayment of loan receivables amounted to approximately HK\$49.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between FY2020 and FY2019

The Group recorded total revenue of approximately HK\$383.0 million for FY2020, representing a substantial increase of approximately HK\$318.4 million or 4.9 times as compared to that for FY2019. The increase in revenue was primarily attributable to the increment of the big data centre services segment amounted to approximately HK\$317.2 million for FY2020 contributed by the big data centres of the Group, partially offset by the decrease in revenue contributed by the online game business and lottery business of the Group. The increase in revenue and gross profit during FY2020 was offset by (i) the increase of administrative expenses in FY2020, primarily due to the commencement of operation of the Ganzi Big Data Centre in late June 2020; and (ii) the expenses in relation to the disposal of the Group's lottery business in FY2020 was absent in FY2019. As a result, the net loss attributable to owners of the Company increased by approximately HK\$13.1 million or 39.1%.

As at 31 December 2020, the Group recorded NAV of approximately HK\$318.7 million, representing a decrease of approximately HK\$11.2 million or 3.4% as compared to that as at 31 December 2019. The decrease in NAV was mainly due to (i) the decrease in cash and cash equivalents and (ii) the decrease in loan receivables, which was partially offset by (i) the increase in property, plant and equipment for the big data centre services and (ii) the increase in prepayments, deposits and other receivables.

The Group's net cash used in operating activities increased from approximately HK\$11.3 million for FY2019 to HK\$37.5 million for FY2020. The increase in net cash used in operating activities was mainly due to the increase in prepayment for the construction of and the utility deposit for the big data centres. As at 31 December 2020, the Group's cash and bank balances amounted to approximately HK\$44.3 million, representing a decrease of approximately HK\$50.7 million or 53.4% compared to that as at 31 December 2019. The decrease in cash and bank balances was mainly due to (i) cash granted to a borrower under the money lending business of the Group amounted to HK\$30.0 million; (ii) capital contribution to a joint venture of the Company amounted to HK\$15.5 million; and (iii) prepayment of purchasing products from a connected party amounted to HK\$15.5 million which was offset by the cash flow generated from the big data centre services.

Background information of Changhe Hydropower

Changhe Hydropower is a company established in the PRC with limited liability in 2019 as an indirect 51%-owned subsidiary of the Company, with the remaining 39% and 10% equity interests held by Shenzhen Chengyou Technology Co., Ltd. and 10% by Mr. Guo Xiaoquan, which are independent third parties. On 28 January 2021, the Group entered into a conditional acquisition agreement with Shenzhen Chengyou Technology Co., Ltd. and Mr. Guo Xiaoquan to acquire the remaining 49% equity interest of Changhe Hydropower. As at the Latest Practicable Date, Changhe Hydropower is an indirect wholly-owned subsidiary of the Company.

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Changhe Hydropower is principally engaged in data processing and provision of application software services. Since late June 2020, Changhe Hydropower commenced its operation of the Group's third big data centre (the Ganzi Big Data Centre) located in Ganzi Prefecture, Sichuan Province in the PRC. During the previous "high water season" between May to October (as defined below) in 2020, the Ganzi Big Data Centre commenced its operation with approximately 33% utilised processing capacity in June 2020. Subsequently as Changhe Hydropower secured more customers for the provision of big data centre services, it has reached utilised processing capacity of approximately 89% in October 2020. During such prime season of the year, Changhe Hydropower had 11 customers, all of which are Independent Third Parties. As the "low water season" between November 2020 to April 2021 (as defined below) approached which is considered to be the off-season for hydro power big data centres during the year due to its relatively high hydro power price, the Ganzi Big Data Centre has been operating in a relatively low processing utilisation as at the Latest Practicable Date. Details of the above is further set out in the section headed "Seasonality for hydro power prices" in this letter.

Background information of BIT Mining and Chongqing Yusheng

BIT Mining (formerly known as "500.com Limited" prior to the change of English name on 8 April 2021) is a company incorporated in the Cayman Islands with limited liability and the shares of which are traded on the New York Stock Exchange under the ticker symbol "WBAI" since 2013 and will be traded under the ticker symbol "BTCM" at the opening of trading on 20 April 2021. BIT Mining and its subsidiaries (collectively, "**BIT Mining Group**") is committed to becoming a leading cryptocurrency mining enterprise. Since announcing its entry into the cryptocurrency industry in December 2020, BIT Mining has entered into definitive agreements to (i) purchase cryptocurrency mining machines; (ii) increase holdings of the Company; (iii) acquire the entire mining pool business of Bitdeer Technologies Holding Company, operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com; and (iv) acquire Bee Computing (HK) Limited, a 7-nanometer mining machine manufacturer, to unfurl an approach to the full industry chain of cryptocurrency mining. It was also an online sports lottery service provider in China, BIT Mining offers a comprehensive and integrated suite of online lottery services, information, user tools and virtual community venues to its users. Chongqing Yusheng, a company established in the PRC, is principally engaged in machine leasing, operation and technical maintenance and encrypted digital mining. It is an indirect wholly-owned subsidiary of BIT Mining, the controlling shareholder of the Group. It shall be one of the principal subsidiaries under BIT Mining Group to engage Changhe Hydropower for the provision of the Big Data Centre Services under the Services Framework Agreements.

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Background of and reasons for entering into of the Services Framework Agreements

Prior to 2019, the Group was principally engaged in the distribution of lottery-related technologies, systems and solutions including high quality, versatile lottery terminals and parts for two state-run lottery operator in the PRC, namely the China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre (“CSLA”), the latter being the exclusive sports lottery operator in the PRC. During which the distribution business was the Group’s major revenue generator and contributed over 80% of the Group’s revenue. As set out in the annual reports of the Company for the year ended 31 December 2018 and 2019, the PRC government has been taking action to strictly prohibit all internet lottery ticket sales activities since March 2015, which posed major challenges and uncertainties to the development of the Group’s lottery business over the past years. In addition, due to the sluggish demand from the lottery market in Mainland China, the Company has been pro-actively seeking new business opportunities while gradually shifting away from the existing low margin lottery terminals distribution business.

As advised by the Company, since the formation of the wholly-owned subsidiary of the Company namely Interactive Lab Limited back in March 2018, which is primarily engaged in developing new businesses in relation to blockchain technology (details of which are set out in the announcement of the Company dated 13 April 2018), the Group has pro-actively explored business opportunities in the blockchain big data centre industry in the PRC. At the beginning of 2019, the Group has grasped the opportunity to become one of the strategic partners with the Sichuan hydropower consumption industrial zones promulgated by the local government to build big data centres in the area to exploit the excessive hydro power generated from the hydro power plants within the zone. Through such strategic partnership, the Group’s big data centres are provided with stable supply of hydro power generated by the state-owned hydro power plants within the industrial zones at favourable prices. During FY2019 and FY2020, the Group completed the construction of the Ya’an Big Data Centre, the Kangding Big Data Centre and the Ganzi Big Data Centre. As an operator of the big data centres, the Group provides the premises, hardware support, power supply and ancillary supervision and management services to clients. From the financial information table above, revenue contributed from the Group’s big data centre services segment has been growing and it became the major income contributor and the core business segment.

Under the Services Framework Agreements, the services provided by Changhe Hydropower to BIT Mining Group (the “**Big Data Centre Services**”) cover a full range from monitoring the average utilisation rate and working status of the data processors to supervising the overall safety and security of both physical environment and internet connection of the data processors within the Ganzi Big Data Centre. BIT Mining Group will be provided with a monthly report on operation results of its data processors. In the event of any unusual condition reported on the data processors, BIT Mining Group will receive an immediate notification and Changhe Hydropower will provide follow-up inspection and maintenance services upon request.

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In addition, it is expected that BIT Mining will consolidate the operation for its existing data processors and upcoming data processors to be purchased and delivered into Ganzi Big Data Centre during the “high water season” between May to October (as defined below) for each of the three years ending 31 December 2023. We noted that the aggregate processing capacity of the said data processors during each of the three years ending 31 December 2023 represents approximately (i) between 40% – 50% of the aggregate processing capacity of the Ganzi Big Data Centre; and (ii) between 28% – 33% of the aggregate processing capacity of the big data centres of the Group. Nevertheless, based on our discussion with the Company, we understand that the Company does not and will not significantly rely on BIT Mining Group for the following reasons:

- ***Self-sustained business operation of the Ganzi Big Data Centre since its commencement in June 2020*** Since the operation of Ganzi Big Data Centre commenced in June 2020, the provision of the Big Data Centre Services during the “high water season” by Ganzi Big Data Centre has been well received by customers which its utilised processing capacity has increased substantially from approximately 33% in June 2020 at its commencement of operation to approximately 89% in September 2020, being the first “high water season” operated by Changhe Hydropower prior to the proposed business cooperation with BIT Mining Group under the Services Framework Agreements;
- ***Well established infrastructure and compliant operation of the Ganzi Big Data Centre*** – As discussed with the Company, we understand that the big data centre industry in the PRC is currently under relatively early development stage whereby the operation standard of big data centres vary. The Ganzi Big Data Centre is one of the compliant hydro-powered big data centres in the PRC which has been accredited with IDC license and meet the relevant requirements of environmental protection and fire safety. This has enhanced quality assurance for stable and long-term operations of the data processors and promoted Chenghe Hydropower as one of the reliable big data centre service providers in the PRC;
- ***Competitive service fee provided by hydro-powered big data centre during the “high water season”*** – The Ganzi Big Data Centre provides more competitive price in relation to the provision of the Big Data Centre Services during the “high water season” as compared to big data centres powered by other mainstream power sources including solar power and conventional thermal power, mainly due to the lower hydro power price during the period. Due to such seasonality characteristics of the hydro power price, the demand for Big Data Centre Services provided by hydro-powered big data centres (including the Ganzi Big Data Centre) during the “high water season” is expected to increase.

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Based on the above, we are of the view that there is a complementary and mutually beneficial relationship between the Company and BIT Mining Group under the Services Framework Agreements. While terms set out in the Services Framework Agreements are based on normal commercial terms, the Company believes, and we concur, that the transactions under the Services Framework Agreements with BIT Mining Group will not cause any business dependence or reliance issue for the Group. As further set out in the Letter from the Board, the Directors are not aware of any disadvantages in relation to or in connection with the provision of the Big Data Centre Services. Meanwhile, under the same context, we also concur with the Company that the Services Framework Agreements are unlikely to be terminated or otherwise materially adversely change in the foreseeable future. In the unlikely event of any termination or material adverse change to the Services Framework Agreements, Changhe Hydropower and the Group are, and will be, open to all forms of cooperation with other potential business partners.

As set out in the Letter from the Board, based on the latest information currently available to the Company, the Company estimates that the expected revenue derived from the provision of Big Data Centres Services to BIT Mining Group for each of the three years ending 31 December 2023 would not exceed 30% of the total revenue of the Group. It is emphasised that the above information is a preliminary assessment by the Directors which is subject to changes and adjustments from time to time as and when the business of the Group progresses. As advised by the Company, we understand that the Company will keep monitoring the revenue contribution from BIT Mining Group as well as strive to diversify the Group's income sources via expanding its customer base in order to prevent any possible reliance issue. Based on the above, along with the self-sustained business operation and competitive pricing offered by the Group as mentioned above, we concur with the Company that it would be able to prevent undue reliance on BIT Mining Group should there be further business cooperations between the Group and BIT Mining Group in the foreseeable future.

Meanwhile, based on our review on all the big data centre service agreements entered into between Changhe Hydropower and Independent Third Parties since its commencement of operation in June 2020, we noted that the service periods are all within one year and are separated between "high water season" between May to October 2020 and "low water season" between November 2020 to April 2021 with majority of the service agreements take place during the "high water season". As such, Changhe Hydropower has been merchandising for the provision of Big Data Centre Services during the upcoming "high water season" between May to October 2021 and has sufficient processing capacity to cater for the operations of data processors under the Services Framework Agreements.

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Taking into account the principal activities of the Changhe Hydropower as mentioned above, it possesses the adequate infrastructure and capacity along with the industry experience and qualifications in the provision of the Big Data Centre Services and is able to provide the necessary services contemplated under the Services Framework Agreements under its ordinary course of business. Meanwhile, as set out in the Letter from the Board, the Group considers BIT Mining, being a company listed on the New York Stock Exchange and its controlling shareholder, to be a reputable and reliable customer, whom has the ability to take up the data processing capacity of the big data centre of the Group in bulk and enhances the Group's economies of scale. Furthermore, terms and conditions of the Services Framework Agreements were negotiated after arm's length discussions and reflect normal commercial terms, the Company considers it desirable to enter into the Services Framework Agreements in its ordinary course of business and continue to develop its market presences and reputation in the big data centre industry in the PRC.

Having considered that (i) the provision of the Big Data Centre Services are the principal business activities of Changhe Hydropower contributing its entire revenue since its operation, and the services contemplated under the Services Framework Agreements are furtherance and continuance of its principal businesses; (ii) the transactions under the Services Framework Agreements with BIT Mining Group will not cause any business dependence or reliance issue for the Company; and (iii) terms and conditions of the Services Framework Agreements were negotiated after arm's length discussions and reflect normal commercial terms, we concur with the Company that the entering into of the Services Framework Agreements and the transactions contemplated thereunder adhere to the business strategy of the Company and would further enhance the Group's revenue, thereby generating additional revenue and profits to the benefits of the Group and its Shareholders as a whole.

2. The principal terms of the Services Framework Agreements

The principal terms of the Services Framework Agreements are summarized as follows:

Parties	:	(i) Changhe Hydropower; (ii) Chongqing Yusheng; and (iii) BIT Mining (for itself and on behalf of its subsidiaries).
Term	:	For the period commencing from the Effective Date to 31 December 2023 (both dates inclusive).
Scope of services	:	The storage and comprehensive big data centre services in respect of the data processors placed by BIT Mining Group in the Ganzi Big Data Centre, including the provision of electricity and broadband network to and custody of data processors, conducting daily monitoring to ensure smooth operation of the data processors, supervising server security and troubleshooting, and assisting in the maintenance of the data processors.
Pricing	:	Determined based on (i) the number of data processors to be placed and operated by BIT Mining Group; (ii) fixed hourly service rates to be charged on the data processors used by BIT Mining Group; and (iii) the actual operation hours per month.

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Payment : On monthly basis and within three days upon receipt of the invoice from Changhe Hydropower for the previous calendar month.

Security deposit : Prior to the placement and installation of the data processors by BIT Mining Group, BIT Mining shall pay to Changhe Hydropower a security deposit in the amount of RMB20,860,000 for the service period from April to May 2021, while BIT Mining shall maintain a security deposit in the amount of no less than RMB13,800,000 during the service period of May to October 2021. The actual amount of the security deposit will be adjusted from time to time depending on the actual number of data processors in operation and the application fixed hourly service rate during the relevant service period but shall in any case be equivalent to approximately 31 days of service fees.

Upon the expiry of the term of the Services Framework Agreements, Changhe Hydropower will return the security deposit in full to BIT Mining, provided that BIT Mining has fully paid all outstanding service fees incurred during the service period.

Pursuant to the Services Framework Agreements, BIT Mining Group has agreed to procure Changhe Hydropower to provide the Big Data Centre Services for a period from the Effective Date of the Services Framework Agreements to 31 December 2023 (both dates inclusive).

As stated in the Letter from the Board, terms of the Big Data Centre Services to be provided by Changhe Hydropower to BIT Mining Group pursuant to the Services Framework Agreements were arrived after arm's length negotiation and on normal commercial terms or terms no more favourable than those which may be offered to independent third party customers.

As stated in the Letter from the Board, the Services Framework Agreements are conditional upon the obtaining of the Independent Shareholders' approval.

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Services fees and pricing policy

As advised by the Company, the Group has a standard pricing strategy for the provision of Big Data Centre Services applicable to all customers (including BIT Mining Group). Taking into account factors including (i) the model type of the data processors used by the customers, which in turn determines the corresponding utility consumption rates of electricity (kilowatt per hour), given different model type of the data processors have difference computing power which will impact the respective electricity costs associated with their operations; (ii) the timeframe for provision of such services, at which the hydro power price would vary due to the seasonality and power consumption pattern during the year; (iii) the number of data processors under each model type to be operated by the customers in the big data centres, in conjunction with aforementioned factors (i) and (ii) forms the aggregated processing capacity which will be taken up by the data processors; (iv) the then prevailing market price of the service fees charged by comparable big data centres within the Sichuan Province at the corresponding time; and (v) the labour costs, operating costs and overheads associated with the provision of the Big Data Centre Services including but not limited to climate control, uninterrupted electricity supply, high speed internet connection, on-site maintenance technicians and security surveillance, etc.

After an integrated assessment of the aforementioned factors, a fixed service fee for every kilowatt of electricity to be consumed by data processors per hour (the “**Fixed Hourly Service Rates**”) for the Big Data Centre Services will be determined which is applicable to all the prescribed model types of data processors under the service agreement. Due to the variance in utility consumption rates (kilowatt per hour) for each model type of the data processors, their respective hourly service rates shall differ.

The Group will firstly consider the cost factors to ensure that the Fixed Hourly Service Rates will outweigh its costs at minimum. Then, the Group will weigh in (i) the prevailing market price of service fees charged by big data centres within the Sichuan Province for comparable services at the corresponding time; and (ii) the background, bargaining power and track record of the customers. For instance, the Group will offer lower Fixed Hourly Service Rates to a reputable customer with large market capitalisation, strong assets base, good payment and settlement record whom opts for bulk service order with high total processing capacity. In general, the Group will factor into a gross profit margin ranging from 20% to 30% in determining the Fixed Hourly Service Rates.

The finance department of Changhe Hydropower is responsible to monitor the hydro power price and labour and operating costs from time to time and report to the chief financial officer for any material change. The business unit staff of Changhe Hydropower will monitor, collect and evaluate the market data, including but not limited to the prevailing market price for comparable services from time to time. Both departments will then report their findings to the general manger regularly, which is responsible to perform a thorough cost and pricing analysis and make recommendation on adjustment of the Fixed Hourly Service Rates from time to time when necessary. All recommendation on price adjustment is subject to the final review and approval by the chief executive officer.

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As advised by the Company, data processors generally operate on a 24/7 basis in order to maximize their performances and the hydro power price constitutes majority of its operating costs. Meanwhile, different model type of the data processors have different computing power which have significant impact to the respective electricity costs associated with their operations, therefore the pricing basis whereby the final monthly service fees are determined based on the model type of the data processors is commonly used by big data centre service providers in the industry. Based on the above, we understand that the price for the Big Data Centre Services is calculated based on the formula below:

$$\begin{array}{rcl} & & \text{number of data processors operated by the customer} \\ & & \times \\ & & \text{utility consumption rates of electricity (kilowatt per hour) consumed by} \\ & & \text{each model type of data processors} \\ \text{Big Data Centre} & = & \\ \text{Services fee} & & \times \\ & & \text{Fixed Hourly Service Rates for the Big Data Centre Services} \\ & & \times \\ & & \text{number of operation hours per month} \end{array}$$

The final service fee payable by BIT Mining Group to Changhe Hydropower under the Services Framework Agreements shall be concluded on a monthly basis, which takes into account the aggregated actual operation hours of the data processors under the agreement and the prescribed hourly service rates for each model of data processors.

Based on the above, we have obtained and reviewed six big data centre services agreements entered into between Changhe Hydropower and independent third parties during FY2020 which in aggregate contributed over two-third of the annual revenue of the Ganzi Big Data Centre during the respective year, we noted that the pricing mechanism of all the aforementioned big data centre services agreements commensurate with that of the Big Data Services Framework Agreement. Meanwhile, we consider the Fixed Hourly Service Rates which is determined based on (i) cost factors such as the prevailing hydro power price, the aggregated processing capacity taken up by the data processors, labour costs and other operating costs; (ii) competition factor which is the then prevailing market price of the service fees charged by comparable big data centres; and (iii) bulk purchase discount offer to customers with sizeable orders, are commercially justified. Upon considering the aforementioned, we are of the view that the Company's mechanism in determining the Fixed Hourly Service Rates for the Big Data Centre Services under the Services Framework Agreements is not less favourable than that offered to Independent Third Parties, and is therefore fair and reasonable.

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Seasonality for hydro power prices

As mentioned above, the service fee of the Big Data Centre Service is largely driven by the hydro power price in the Sichuan province during the service period. Sichuan province has been one of the provinces with rich water resources in the PRC, primarily due to its close proximity to the upper streams of the Jinsha River, the Yalong River and the Taidu River, the local government has therefore strongly supported the development of hydro power over the past years. Due to the limitation of cross-county power transmission and local power storage capacities, there has been excessive hydro power for the consumption of local businesses and residents during certain periods of the year, which is the “high water season”. The “high water season” is generally between May to October, due to the warmer weather and lower local consumption for heat. During such period, residual hydro power will be supplied to the big data centres within the industrial zones after prioritising the demand for local consumption. The hydro power price for local big data centres during the “high water season” are relatively lower and the supply of hydro power are stable, which in turn reduces the services and maintenance costs of the Group’s big data centres and advocates the demand for big data centre services by its customers. On the contrary, the “low water season” refers to the period when there are less residual hydro power to be supplied to the big data centres within the industrial zones, which is generally between November to April, due to the colder weather and higher local consumption for heat, the relatively less residual hydro power renders higher costs for hydro power supply for big data centres which can rise up to two to three times of the hydro power price during the “high water season”, thereby increases the services and maintenance costs of the Group’s big data centres and the customers’ demand generally reduce. Based on our discussion with the Company, we understand that due to the substantially higher service fee to be charged by Chenghe Hydropower during the “low water season” as compared to the “high water season”, and the service fee charged by other mainstream big data centres powered by solar power and conventional thermal power become more attractive during the same period, there is a business consensus reached between Chenghe Hydropower and BIT Mining Group that the service periods during each of the three years ending 31 December 2021, 2022 and 2023 shall take place during the “high water season” only.

Comparison with big data centre services agreements with independent third parties

In order to assess the fairness and reasonableness of the terms of the Services Framework Agreements, we have obtained and reviewed the top three big data centre services agreements of the largest contract sums entered into between Changhe Hydropower and independent third parties with service periods spanned across the “high water season” during each of 2020 and 2021 (the “**Comparable Services Agreements**”), which represents the same service period contemplated under the Services Framework Agreements, the big data centre services provided to the independent third parties are comparable in nature with those contemplated under the Services Framework Agreements.

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Based on our review of the Comparable Services Agreements, it is noted that the Fixed Hourly Service Rates charged by Changhe Hydropower to independent third parties which have deployed sizeable amount of data processors which account for substantial processing capacity of approximately 10% or more of the Ganzi Big Data Centre are slightly lower than the remaining customers which have deployed much smaller scale of data processors which account for moderate or insignificant processing capacity. As advised by the company, such difference is due to (i) the discount offered to customers in bulk purchases and (ii) customers in bulk purchases usually deploy their own on-site technicians to maintain smooth operation of their data processors and depend less on Changhe Hydropower in providing relevant support.

Based on the estimations under the Proposed Annual Caps, the expected deployment of data processors by BIT Mining Group during the three years ending 31 December 2022 shall take up for approximately 40%-50% total processing capacity of the Ganzi Big Data Centre, which is expected to be the largest amongst all independent customers since the operation of the big data centres of the Group. As further advised by the Company, BIT Mining Group shall also deploy its own on-site technicians in the maintenance of its data processors during the daily operation under the Services Framework Agreements. On such basis, we further compared the Fixed Hourly Service Rates charged by Changhe Hydropower to BIT Mining Group under the Services Framework Agreements and we noted that they are at the same level as those charged to independent third parties under bulk purchases.

Furthermore, based on our review on the Services Framework Agreements and the Comparable Services Agreements, we noted that the scope of big data centre services, payment terms and credit periods along with basis in determining the amount of security deposits to be placed by the customers ahead of the operation of data processors are generally the same.

Based on the above analysis, we noted that the terms of the Services Framework Agreements are in general comparable to those of the Comparable Services Agreements and they are no less favorable than the terms and conditions offered by the independent third parties.

According to the above, we are of the view that the Services Framework Agreements are carried out in the ordinary and normal course of business for Changhe Hydropower and are no less favorable than those offered by the independent third parties. We concur with the Board that the terms of the Services Framework Agreements are on normal commercial terms, and they are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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3. The proposed annual caps under the Services Framework Agreements

The table below sets out the proposed annual caps under the Services Framework Agreements for the three years ending 31 December 2021, 2022, and 2023 (the “**Proposed Annual Caps**”).

From the Effective Date to 31 December 2021	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 December 2023
RMB146,100,000	RMB160,000,000	RMB160,000,000
<i>equivalent to approximately</i>	<i>equivalent to approximately</i>	<i>equivalent to approximately</i>
HK\$175,320,000	HK\$192,000,000	HK\$192,000,000

Basis of determining the Proposed Annual Caps

As set out in the Letter from the Board, there is no historical transaction between the Group and BIT Mining and/or its subsidiaries in relation to the provision of the Big Data Centre Services. As advised by the Company, the Proposed Annual Caps were determined by the Directors primarily based on (i) the estimated number and model types of data processors to be deployed by BIT Mining Group with reference to the number of data processors already owned by and to be purchased by BIT Mining; (ii) the estimated deployment of additional data processors by BIT Mining in light of its future development plan in relation to the cryptocurrency mining business; and (iii) the prevailing market price of the service fee charged by big data centres located in the Sichuan province.

As regards the Proposed Annual Caps to be sought for the three years ending 31 December 2023 of approximately RMB146.1 million, RMB160.0 million and RMB160.0 million respectively, we have obtained from the Company a list of estimated deployment of data processors during the “high water season” in the respective years which sum up to the Proposed Annual Caps.

We understand from the management of the Company that such list of estimate was prepared on the basis of multiplying (i) the expected quantity and model type of data processors to be deployed by BIT Mining Group for the three years ending 31 December 2023; (ii) the average utility consumption rates per hour (kilowatt-hour) for each model type derived based on their respective historical operating statistics; the estimated service fee for each kilowatt to be consumed by data processors per hour for the Big Data Centre Services; and (iii) the number of operating hours during the “high water season” for the three years ending 31 December 2023.

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Regarding the estimated quantity of data processors under the Big Data Centre Services

We noted from the Company a list of estimated deployment of data processors under the Proposed Annual Caps that the estimated number of data processors to be deployed by BIT Mining Group during the three years ending 31 December 2023 comprised of the same model types throughout the three year period. As discussed with the Company, we understand that approximately 75% of the estimated quantity of data processors to be deployed during the year ending 31 December 2021 are currently in operation by BIT Mining in various big data centres in the PRC, which amounts to approximately 48,000 data processors of various models. We have obtained a list of existing data processors owned by BIT Mining Group from the Company as part of our due diligence and we noted that the respective quantities and models on the list provided by BIT Mining Group commensurate with the estimations under the list of estimated deployment of data processors prepared by the Company which forms the Proposed Annual Caps. Such amount of data processors are preceding model processors and its quantity shall remain the same throughout the three years ending 31 December 2023. Meanwhile, the remaining quantity of the data processors expected to be deployed for the three years ending 31 December 2023 are brand new processors recently acquired or to be acquired by BIT Mining, which amounts to approximately 17,000 data processors of various models. These data processors are expected to take up an aggregated processing capacity of approximately 40% of the total processing capacity of the Ganzi Big Data Centre. Based on our review on the announcements of BIT Mining on the New York Stock Exchange, we noted that the remaining quantity of the data processors expected to be deployed under the list of estimated deployment commensurate with the quantity purchased and to be purchased and delivered as announced by BIT Mining during 2021.

We further noted from the list of estimated deployment that there is an expected increase of approximately 9.5% in the proposed annual cap for the year ending 31 December 2022 as compared to that for the year ending 31 December 2021 and is expected to amount to approximately 68,000 data processors of various models, amongst which approximately 48,000 data processors belong to the existing preceding model processors in operation and the remaining 20,000 data processors to be brand new processors of more recent models which take up more processing capacity than the existing preceding model processors, these data processors are expected to take up an aggregated processing capacity of approximately 50% of the total processing capacity of the Ganzi Big Data Centre. The aforementioned quantity of data processors are expected to remain unchanged for the year ending 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Company, we understand that the expected increase in 2022 is due to the estimated increase in number of data processors to be deployed by BIT Mining Group in accordance with the scheduled deliveries and expected purchases of data processors as described in the announcements of BIT Mining on the New York Stock Exchange. Taking into account the servicing periods under the Services Framework Agreements are expected to take place during the “high water season” of the year which ends in October, the newly purchased data processors of BIT Mining that are delivered after October 2021 are expected to commence operation during the “high water season” in 2022, which starts in May 2022. Meanwhile, the proposed annual cap for the year ending 31 December 2023 are expected to remain the same with that for the year ending 31 December 2022. As advised by the Company, we understand that this is primarily due to the substantial demand of cryptocurrency mining machines in the market, the proposed purchase or delivery of new cryptocurrency mining machines of BIT Mining Group during the years ending 31 December 2022 and 2023 are unlikely to be delivered and consolidated into Ganzi Big Data Centre during the “high water season” for the year ending 31 December 2023. Based on the above discussion between the Company and BIT Mining Group, the Company has assumed that the number of data processors to be deployed by BIT Mining Group for the year ending 31 December 2023 to remain the same as that in the previous year.

Based on the above, we looked into the announcements of BIT Mining on the New York Stock Exchange and we noted that BIT Mining has been acquiring cryptocurrency mining machines since January 2021. Among which, certain cryptocurrency mining machines are expected to be purchased and/or delivered during the last quarter of 2021, which happen to meet the end of the “high water season” in 2021. Therefore, the aforementioned cryptocurrency mining machines are expected to be deployed in the Ganzi Big Data Centre on the next “high water season” in 2022. Furthermore, we noted that the estimated number of cryptocurrency mining machines which are expected to be purchased and/or delivered to BIT Mining at times close to the end and after the “high water season” in 2021 are comparable to the estimated increase in the number of data processors to be deployed by BIT Mining Group under the proposed annual cap for the year ending 31 December 2022. Meanwhile, considering that (i) the Company has prepared the list of estimated deployment of data processors which forms the Proposed Annual Caps based on the existing data processors owned by BIT Mining Group and its procurement plan which is in line with the announced purchases and their corresponding delivery schedules of brand new data processors by BIT Mining Group; (ii) the data processors, once deployed, are generally expected to operate consistently on a 24/7 basis which provides a solid basis for the projection of the number of data processors under deployment; (iii) the discussion between the Company and BIT Mining Group regarding the estimated procurement and delivery schedules of new data processors during the years ending 31 December 2022 and 2023, we consider that the Company’s projection on the number of data processors to be deployed by BIT Mining Group for the year ending 31 December 2023 to remain the same as that for the year ending 31 December 2022 is fair and reasonable. Based on the above, we consider estimated quantity of data processors under the Proposed Annual Caps, which corresponds to the projected purchase and delivery schedules of data processors as announced by BIT Mining, are reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Regarding the estimated services fee of the Big Data Centre Services

As mentioned above in the section headed “Services fee and pricing policy”, the Group has a standard pricing strategy for the provision of Big Data Centre Services applicable to all customers (including BIT Mining Group). Taking into account factors including the model type and quantity of data processors to be deployed, the timeframe of service period, the then prevailing market price of big data centre services in the Sichuan Province and other operating costs associated with the provision of the Big Data Centre Services. Due to the fact that the Ganzi Big Data Centre has a relatively short period of operation since June 2020, we consider our review on the fixed hourly services rates of the Comparable Services Agreements to be representative in assessing the latest pricing adopted by Changhe Hydropower in the provision of the Big Data Centre Services. As further set out in the section headed “Comparison with big data centre services agreements with independent third parties” in this letter, we noted that under the uniform scope of services provided in the services agreements of Changhe Hydropower, the fixed hourly services rates charged by Changhe Hydropower to BIT Mining Group are at the same level as those charged to independent third parties under bulk purchases and BIT Mining Group shall deploy their own on-site technicians in monitoring the operations of their respective data processors. Therefore we consider the service fees of the Big Data Centre Services provided by Changhe Hydropower to BIT Mining Group is no more favourable than that provided to independent third parties under similar conditions.

We noted from the Company’s list of estimated deployment of data processors which sums up to the Proposed Annual Caps that the hourly fixed services rates are expected to remain at the same level during the three years ending 31 December 2023. As advised by the Company, the hydro power price has a material impact to the operating costs of the Ganzi Big Data Centre in terms of uninterrupted climate control, power supply of the data processors and on-site surveillance. In order to provide stable supply of power in Ganzi Big Data Centre, the Group has established long-term cooperative relationship with the state-owned hydro power plants within the industrial zone where it is located for the provision of hydro power. Since the hydro power supply during the “high water season” is generally stable, the Company does not expect any material fluctuation in the hydro power price during the service period under the Services Framework Agreements. Therefore, the Company expects the big data centre service fees to remain the same for the three years ending 31 December 2022 as it may adversely affect the ultimate operating costs of the data processors deployed in the Ganzi Big Data Centre and the business relationships between Changhe Hydropower and its customers. Based on the above, we consider that the Company has taken a prudent approach in determining the estimated service fees of the Big Data Centre Services to remain the same for the three years ending 31 December 2023.

Based on our review on the calculation of proposed annual caps under the Services Framework Agreements, we are of the view that the proposed annual caps under the Services Framework Agreements are determined by the Company after due and careful consideration, and they are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The internal control measures governing the transactions under the Services Framework Agreements

As set out in the Letter from the Board, the Company has established internal control measures to ensure that the continuing connected transactions contemplated under the Services Framework Agreements are conducted in accordance with the pricing policies and internal procedures adopted by the Group, and that the terms of agreement and service fees charged by the Group on BIT Mining Group are on normal commercial terms and on terms no less favourable than those terms for similar services offered by the Group to Independent Third Parties. Such internal control measures employed by the Group including the following:

- (a) Before entering into a continuing connected transaction, the finance department of the Group will review and ensure that the pricing is fair and reasonable by reference to:
 - the prevailing market price of the same or substantially similar services with comparable service scope and quality offered by the Group to its customers. The business unit staff of Changhe Hydropower has substantial experience and industry knowledge in the area of big data centre services. In order to ascertain the comparable prevailing market price, they will attend industry seminars from time to time to (i) keep abreast of the latest industry development including pricing trend and fluctuation; and (ii) approach potential customers and collect market data. Often in the course of discussion and negotiation with potential customers, these customers will compare the fee quotation obtained from the Group's competitors with an aim to bargain with the Group for the best available terms on an arm's length basis. Hence, the business unit staff of Changhe Hydropower can grasp a general understanding on the prevailing market price from the discussion with its potential customers and further evaluate and analyze the price trend leveraging on their substantial experience and industry knowledge;
 - the historical price offered to Independent Third Parties by checking against the historical service fees of similar services and comparable general terms offered by the Group to its customers which are Independent Third Parties. The finance department also performed evaluation and assessment to ensure that the terms offered to members of BIT Mining Group under the Services Framework Agreements are not more favorable than the same provided to Independent Third Parties by the Group;
- (b) in case the pricing terms under the relevant continuing connected transactions agreement are applied for the first time or the pricing terms are different from those used previously, the Board will engage an independent financial adviser to review the relevant terms;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) The finance team is responsible for regularly monitoring the utilisation of the annual caps which require, among other things, the submission of monthly reports on the accumulated actual transaction amounts of the transactions to the Company's chief financial officer, the company secretary and the internal auditor, in order to ensure that the accumulated actual transaction amounts would not exceed the annual cap for the relevant year. The company secretary shall promptly liaise with the business team as and when the annual cap has been 80% utilised to agree and implement measures to control and avoid exceeding any of the annual caps. The contracting parties understand and agree that they must abide by the GEM Listing Rules when fulfilling their obligations under any of the terms of continuing connected transaction agreement, including but not limited to the annual caps. The contracting parties shall temporarily suspend the performance of its relevant contractual obligations specified in such agreement until it is able to comply with the GEM Listing Rules (including obtaining a revised annual cap for the transactions contemplated under the continuing connected transaction agreement).
- (d) the finance department of the Company will consult with the Group's chief financial officer in respect of continuing connected transaction compliance issues, who will report to the audit committee of the Company and also provide a confirmation to the audit committee that the continuing connected transactions of the Company which are subject to the annual review and disclosure requirements under the GEM Listing Rules have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and that the Group's internal control procedures applicable to continuing connected transactions are adequate and effective to ensure that such transactions were so conducted. The audit committee will consider this accordingly;
- (e) the Company's external auditors will review the continuing connected transactions (which are subject to the annual review and disclosure requirements under the GEM Listing Rules) annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded;
- (f) the independent non-executive Directors will review the continuing connected transactions of the Company (which are subject to the annual review and disclosure requirements under the GEM Listing Rules) annually to check and confirm whether such continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we consider that the internal control measures adopted by the Group in governing the continuing connected transactions contemplated under the Services Framework Agreements are fairly structured and reasonable. We have also (i) obtained and reviewed the relevant internal control measures of the Group and the corresponding internal assessments conducted by the Group regarding the entering into of the Services Framework Agreements; and (ii) the review results conducted by the independent non-executive Directors and the assessment results conducted by the Company's external auditors for historical continuing connected transactions carried out by the Group, which are reported in the annual reports of the Company. Based on the aforementioned, we are of the view that the internal control measures of the Group have been duly implemented. In conjunction with the internal control measures employed by BIT Mining (which is a sizeable listed company) governing the continuing service arrangement under the Services Framework Agreements, we are of the view that there are sufficient and effective procedures and hierarchy to monitor and ensure that the pricing and terms of the Services Framework Agreements are on normal commercial terms and no less favourable than those terms for similar services offered by the Group to independent third parties and the continuing connected transactions under the Services Framework Agreements to be conducted in the manners which are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that (i) the transactions contemplated under the Services Framework Agreements are carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Services Framework Agreements are on normal commercial terms, and are fair and reasonable; (iii) the transactions contemplated under the Services Framework Agreements are in the interests of the Company and the Shareholders as a whole; and (iv) the basis of determining the proposed annual caps under the Services Framework Agreements are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM for approving the Services Framework Agreements (including the Proposed Annual Caps).

Yours faithfully
For and on behalf of
Octal Capital Limited
Alan Fung
Managing Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions held by the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which are required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in the Shares and underlying Shares

(a) Ordinary shares of the Company

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

(b) Options granted by the Company

Name of Director	Number of underlying Shares held pursuant to the Options (Notes 2 and 3)	Approximate percentage of total issued Shares (Note 1)
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. Yuan Qiang	6,200,000	1.13%
Dr. Lu Haitian	400,000	0.07%
Mr. Lin Sen	400,000	0.07%
Mr. Huang Jian	200,000	0.04%

Notes:

- As at the Latest Practicable Date, the total number of issued Shares of the Company was 548,378,822.
- This represents interests held by the relevant Director as beneficial owner.
- Details of the Options held by each Director are as follows:

Director	Number of Options	Date of Grant	Exercise Price	Exercise Period in Tranches
Ms. Zhang Jing	466,800	1 April 2019	HK\$1.10	from 1 April 2019 to 31 March 2029
	3,100,000	10 August 2020	HK\$0.26	from 1 April 2020 to 31 March 2029
				from 1 April 2021 to 31 March 2029
Mr. Yan Hao	200,000	1 April 2019	HK\$1.10	from 10 August 2020 to 9 August 2030
				from 10 August 2021 to 9 August 2030
	3,100,000	10 August 2020	HK\$0.26	from 10 August 2022 to 9 August 2030
				from 10 August 2021 to 9 August 2030
				from 10 August 2022 to 9 August 2030

Director	Number of Options	Date of Grant	Exercise Price	Exercise Period in Tranches
Ms. Huang Lilan	1,000,000	1 April 2019	HK\$1.10	from 1 April 2019 to 31 March 2029 from 1 April 2020 to 31 March 2029 from 1 April 2021 to 31 March 2029
	1,000,000	10 August 2020	HK\$0.26	from 10 August 2020 to 9 August 2030 from 10 August 2021 to 9 August 2030 from 10 August 2022 to 9 August 2030
Mr. Yuan Qiang	3,100,000	1 April 2019	HK\$1.10	from 1 April 2019 to 31 March 2029 from 1 April 2020 to 31 March 2029 from 1 April 2021 to 31 March 2029
	3,100,000	10 August 2020	HK\$0.26	from 10 August 2020 to 9 August 2030 from 10 August 2021 to 9 August 2030 from 10 August 2022 to 9 August 2030
Dr. Lu Haitian	200,000	1 April 2019	HK\$1.10	from 1 April 2019 to 31 March 2029 from 1 April 2020 to 31 March 2029 from 1 April 2021 to 31 March 2029
	200,000	10 August 2020	HK\$0.26	from 10 August 2020 to 9 August 2030 from 10 August 2021 to 9 August 2030 from 10 August 2022 to 9 August 2030
Mr. Lin Sen	200,000	1 April 2019	HK\$1.10	from 1 April 2019 to 31 March 2029 from 1 April 2020 to 31 March 2029 from 1 April 2021 to 31 March 2029
	200,000	10 August 2020	HK\$0.26	from 10 August 2020 to 9 August 2030 from 10 August 2021 to 9 August 2030 from 10 August 2022 to 9 August 2030
Mr. Huang Jian	200,000	10 August 2020	HK\$0.26	from 10 August 2020 to 9 August 2030 from 10 August 2021 to 9 August 2030 from 10 August 2022 to 9 August 2030

(i) *Long Positions in the shares and underlying shares of associated corporation of the Company – BIT Mining*(a) *ADS of BIT Mining*

Name of Director	Number of ADS held (Note 2)	Approximate percentage of total issued and outstanding shares of BIT Mining (Note 1)
Ms. Zhang Jing	3,481	0.01%
Ms. Huang Lilan	5,151	0.01%
Mr. Yuan Qiang	84,266	0.15%

(b) *ADS Options granted by BIT Mining*

Name of Director	Number of underlying shares held pursuant to ADS Options (Notes 2 and 3)	Approximate percentage of total issued and outstanding shares of BIT Mining (Note 1)
Ms. Zhang Jing	30,000	0.05%
Ms. Huang Lilan	15,500	0.03%

Notes:

- As at the Latest Practicable Date, the total number of issued and outstanding shares of BIT Mining was 55,999,915.
- This represents interests held by the relevant Director as beneficial owner.
- Details of the ADS Options held by Ms. Zhang Jing and Ms. Huang Lilan are as follows:

Director	Number of ADS Options	Date of Grant	Exercise Price	Exercise Period
Ms. Zhang Jing	5,000	19 June 2014	US\$10.00	from 19 June 2015 to 19 June 2021
	10,000	19 June 2014	US\$10.00	from 19 June 2016 to 19 June 2021
	15,000	19 June 2014	US\$10.00	from 19 June 2017 to 19 June 2021
Ms. Huang Lilan	167	19 June 2014	US\$10.00	from 19 June 2015 to 19 June 2021
	2,000	19 June 2014	US\$10.00	from 19 June 2016 to 19 June 2021
	8,333	19 June 2014	US\$10.00	from 19 June 2017 to 19 June 2021
	5,000	19 June 2014	US\$10.00	from 19 June 2018 to 19 June 2021

Save as disclosed above, as at the Latest Practicable Date, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(B) Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Company, the persons or entities (other than the Directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

(i) 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	297,226,271	54.20%
Mr. Law Man San Vincent ("Mr. Law") (Note 2)	Interest in controlled corporation	297,226,271	54.20%
	Beneficial owner	184,000	0.03%
Ms. Yuan Ping ("Mrs. Law") (Note 3)	Interest of spouse	297,410,271	54.23%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of the Company was 548,378,822.
- Mr. Law was deemed to be interested in 297,226,271 Shares through his controlled corporation, BIT Mining and Good Luck Capital 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 of the Company held by Mr. Law pursuant to the SFO.

As at the Latest Practicable Date, save as disclosed above, the Directors and the chief executive of the Company were not aware of any other persons or entities (other than the Directors or chief executives of the Company) who had interests or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

As at the Latest Practicable Date, each of Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang are senior management of BIT Mining which has interest in the Shares fell to be disclosed under Divisions 2 and 3 of Part XV of the SFO, details of which are set out above. Save as disclosed in this paragraph, none of the Directors was a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2020, the date to which the latest published audited of the Company were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation), between any of the Directors and any member of the Group.

5. COMPETITION AND CONFLICT OF INTERESTS

As at the Latest Practicable Date, none of the Directors or controlling Shareholders or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The followings are the qualifications of the expert which have given its opinions or advice which is contained in this circular:

Name	Qualification
Octal Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Octal Capital Limited was not interested in any Shares or shares in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Octal Capital Limited did not have any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Octal Capital Limited has given and has not withdrawn their written consents to the issue of this circular with the inclusion of their letters and reference to their names in the form and context in which they respectively appear.

The letter and recommendation given by the Octal Capital Limited are given as of the date of this circular for incorporation herein.

8. GENERAL

- (a) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and the principal place of business of the Company in Hong Kong is at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Ms. Chow Chiu Man, Mandy, a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong during normal business hours up to and including the date of the EGM:

- (a) the Original Services Framework Agreement;
- (b) the Supplemental Agreement;
- (c) the letter from Board, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
and
- (f) this circular.

NOTICE OF THE EGM



Loto Interactive Limited

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Loto Interactive Limited (the “**Company**”) will be held at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong on Tuesday, 4 May 2021 at 11:00 a.m. (the “**EGM**”) for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Services Framework Agreements (as defined in the circular to the shareholders of the Company dated 19 April 2021 (the “**Circular**”)) be and are hereby approved, ratified and confirmed and any one director of the Company (the “**Director**”) be and is hereby authorised to approve any changes and amendments thereto as he/she may consider necessary, desirable or appropriate;
- (b) the proposed annual caps in relation to the transactions contemplated under the Services Framework Agreements for the period from the Effective Date (as defined in the Circular) to 31 December 2023 be and are hereby approved; and
- (c) all other transactions contemplated under the Services Framework Agreements be and are hereby approved and any one Director be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Services Framework Agreements, or any of the transactions contemplated under the Services Framework Agreements and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Services Framework Agreements) as are, in the opinion of the Director, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 19 April 2021

NOTICE OF THE EGM

Registered office:

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Head office and principal place of business in

Hong Kong:
Units 813 & 815, Level 8, Core F
Cyberport 3
100 Cyberport Road
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed on Tuesday, 4 May 2021, on which no share transfers will be registered. In order to be eligible to attend and vote at the EGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 May 2021.

The Shareholders are also reminded that for determining the entitlement to attend and vote at the forthcoming annual general meeting on Friday, 7 May 2021, the register of members of the Company will be closed from Tuesday, 4 May 2021 to Friday, 7 May 2021 (both days inclusive), during which period no share transfers will be registered.

5. Completion and return of the form of proxy will not preclude a shareholder from attending the EGM and voting in person at the EGM or any adjournment thereof if he so desires. If a shareholder attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
6. Article 66 of the Company's articles of association sets out the procedure by which shareholders of the Company may demand a poll at general meetings.

According to Rule 17.47(4) of the GEM Listing Rules, any voting of the shareholders of the Company at the EGM will be taken by way of a poll and an announcement of the voting results will be made after the EGM. Accordingly, the resolution will be taken by way of a poll at the EGM.

NOTICE OF THE EGM

7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of the EGM Circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory temperature checks and health declarations
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company encourages attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.