

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Loto Interactive Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or to the transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and Form(s) of Acceptance.



BIT Mining Limited

(Formerly known as 500.com Limited)

(Incorporated in the Cayman Islands with limited liability)

(NYSE stock code: BTCM)



Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Exchange Stock Code: 8198)

COMPOSITE DOCUMENT IN RELATION TO THE UNCONDITIONAL MANDATORY CASH OFFERS BY BOCOM INTERNATIONAL SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF, AND CANCEL ALL OUTSTANDING OPTIONS OF, LOTO INTERACTIVE LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror



Independent Financial Adviser to the Takeovers Code Independent Board Committee



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from BOCOM Securities containing, among other things, the details of the terms and conditions of the Offers is set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 26 of this Composite Document.

A letter from the Takeovers Code Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders and the Optionholders is set out on pages IBC-1 to IBC-2 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice to the Takeovers Code Independent Board Committee in respect of the Offers is set out on pages IFA-1 to IFA-26 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out on pages I-1 to I-11 in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. The WHITE Form of Share Offer Acceptance should be received by the Registrar, Computershare Hong Kong Investor Services Ltd, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and the PINK Form of Option Offer Acceptance should be received by the company secretary of the Company by no later than 4:00 p.m. on Friday, 18 June 2021, or such later time and/or date as the Offers or may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "IMPORTANT NOTICES" contained in this Composite Document before taking any action. It is the responsibility of each Overseas Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Holders are advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at www.lotoie.com as long as the Offers remains open.

28 May 2021

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IMPORTANT NOTICES

NOTICE TO OVERSEAS HOLDERS

The Offers are made in respect of securities of a company incorporated in the Cayman Islands and subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The Offeror intends to make the Offers available to all Independent Shareholders and all Optionholders, including those with a registered address in a jurisdiction outside Hong Kong. The availability of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such overseas Independent Shareholders and/or Optionholders with a registered address in a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions in connection with the acceptances of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such overseas Independent Shareholders and/or Optionholders in respect of such jurisdictions).

The Offeror and parties acting in concert with it, the Company, the Directors, BOCOM (Asia), BOCOM Securities, the Registrar and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations (including the Takeovers Code).

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Offeror and the Company as and when appropriate.

Despatch date of this Composite Document and
the accompanying Form(s) of Acceptance and
commencement date of the Offers (*Note 1*) Friday, 28 May 2021

Latest time and date for acceptances of
the Offers (*Note 2*) by 4:00 p.m. on Friday,
18 June 2021

Closing Date (*Note 2*) Friday, 18 June 2021

Announcement of the results of the Offers as
at the Closing Date, to be posted on the website of
the Stock Exchange (*Note 2*) by 7:00 p.m. on Friday,
18 June 2021

Latest date for posting of remittances in respect of valid
acceptances received under the Offers (*Notes 2 and 3*) Tuesday, 29 June 2021

Notes:

1. The Offers, which are unconditional, are made on 28 May 2021, the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “7. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptances of the Offers is 4:00 p.m. on Friday, 18 June 2021 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror on the website of the Stock Exchange by 7:00 p.m. on Friday, 18 June 2021, stating whether the Offers have been extended, revised or expired. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.

If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force or exists any “extreme conditions” caused by super typhoons in Hong Kong on the Closing Date or the date for posting of remittances and it has (i) not been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the Closing Date will be postponed to 4:00 p.m. on the next Business Day and the date for posting of remittances will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the Closing Date or the date for posting of remittances will be on the same Business Day.

3. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares and the Options tendered under the Offers will be despatched to the Independent Shareholders and the Optionholders accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid) in accordance with the Takeovers Code. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “7. Right of withdrawal” in Appendix I to this Composite Document.

The expected timetable above is indicative only and may be subject to changes. The Offeror and the Company will jointly notify the Independent Shareholders and the Optionholders by way of announcement(s) in the event of any change to the expected timetable as and when appropriate.

All time and date references contained in this Composite Document and accompanying Form(s) of Acceptance are to Hong Kong times and dates.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise:

“2012 Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 18 May 2012
“Acquisition”	the acquisition of the Sale Interest by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement entered into by and among the Purchaser and the Sellers on 28 January 2021 in relation to the Acquisition
“Acquisition Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“ADS”	American depositary share(s) of the Offeror
“ADS Options”	options granted by the Offeror to subscribe for ADS
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“BOCOM (Asia)”	BOCOM International (Asia) Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror
“BOCOM Securities”	BOCOM International Securities Limited, a corporation licensed by the SFC to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror
“Business Day(s)”	means any day on which the Stock Exchange is open for the transaction of business and has the meaning ascribed thereto under the Takeovers Code
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Closing Date”	Friday, 18 June 2021, being the first closing date of the Offers, or any subsequent closing date of the Offers as may be extended in accordance with the Takeovers Code
“Company”	Loto Interactive Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM (stock code: 8198)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders and the Optionholders in connection with the Offers in accordance with the Takeovers Code
“Director(s)”	the director(s) of the Company
“Encumbrances”	includes any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set off, claim, counterclaim, trust arrangement or other security, any equity or restriction (including any restriction imposed under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or other adverse rights and interests of all kinds and descriptions)
“Excluded Options”	3,566,800 Options held by Ms. Zhang Jing, 3,300,000 Options held by Mr. Yan Hao, 2,000,000 Options held by Ms. Huang Lilan and 6,200,000 Options held by Mr. Yuan Qiang, in the aggregate number of 15,066,800 Options
“Excluded Shares”	137,200 Shares held by the Ms. Zhang Jing, 184,000 Shares held by Mr. Law, 15,160,000 Shares held by Ms. Mak Lam, 15,160,000 Shares held by Mr. Li Qi and 6,316,000 Shares held by Mr. Mei Siyuan, in the aggregate number of 36,957,200 Shares
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form(s) of Acceptance”	collectively, the WHITE Form of Share Offer Acceptance and/or the PINK Form of Option Offer Acceptance (as the context may require) accompanying this Composite Document
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the increase in authorised share capital of the Company from HK\$55,000,000 (divided into 550,000,000 Shares) to HK\$65,000,000 (divided into 650,000,000 Shares) by the creation of an additional 100,000,000 Shares
“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 Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the Offers and as to their acceptances
“Independent Shareholder(s)”	the Shareholders other than the Offeror and the parties acting in concert with it
“Irrevocable Undertakings”	the deed of irrevocable undertakings dated 27 and 28 January 2021 pursuant to which each of (i) the executive and non-executive Directors (being Ms. Zhang Jing, Mr. Yan Hao, Ms. Huang Lilan and Mr. Yuan Qiang), (ii) Mr. Law, a party acting in concert with the Offeror, and (iii) three individual Shareholders (including Ms. Mak Lam, Mr. Li Qi and Mr. Mei Siyuan) has irrevocably undertaken not to accept the Share Offer or the Option Offer (as applicable) and he/she will not or/and will procure not to sell, transfer or dispose of any Shares or Options held by each of them or rights to such Shares or Options to third parties prior to completion, termination or withdrawal of the Offers, as described in the paragraph headed “Irrevocable Undertakings in relation to the Offers” in this Composite Document
“Joint Announcement”	the joint announcement dated 28 January 2021 issued by the Company and the Offeror in respect of, among other things, the entering into of the Subscription Agreement and the Acquisition Agreement, the Increase in Authorised Share Capital and the Offers
“Last Trading Day”	27 January 2021, being the last trading day for the Shares prior to the publication of the Joint Announcement

DEFINITIONS

“Latest Practicable Date”	25 May, 2021, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Mr. Law”	Mr. Man San Law, a substantial shareholder and a director of the Offeror, a former chairman and chief executive officer of the Offeror and a party acting in concert with the Offeror
“Offers”	the Share Offer and the Option Offer
“Offer Period”	28 January 2021 until (i) the date when the Offers close for acceptances; (ii) the date when the Offers lapse; (iii) the time when the Offeror announces that the Offers will not proceed; or (iv) the date when the Offers are withdrawn in the circumstances permitted under the Takeovers Code
“Offer Share(s)”	all the Share(s) in issue, other than those already owned or agreed to be subscribed for by the Offeror and the parties acting in concert with it
“Offeror” or “Subscriber”	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 “BTCM”
“Options”	the outstanding share options granted by the Company pursuant to the 2012 Share Option Scheme
“Optionholder(s)”	holder(s) of the Options
“Option Offer”	the unconditional mandatory cash offer to be made by BOCOM Securities on behalf of the Offeror for the cancellation of the Options in accordance with the Takeovers Code
“Option Offer Price”	the price at which the Option Offer will be made, which is (i) the “see-through” price, being the amount by which the Share Offer Price exceeds the relevant exercise price of the relevant Option, or (ii) a nominal amount of HK\$0.0001 in respect of Options the exercise price of which is higher than the Share Offer Price, for the cancellation of each Option held by the Optionholders
“Overseas Holder(s)”	the Independent Shareholder(s) and the Optionholder(s) whose address(es) as shown on the register of members or register of option holders (as the case may be) of the Company, is (are) outside Hong Kong
“ PINK Form of Option Offer Acceptance”	the pink form of acceptance for cancellation of all outstanding Options in respect of the Option Offer

DEFINITIONS

“PRC”	the People’s Republic of China (which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Purchaser”	樂透互娛信息技術(深圳)有限公司 (Loto Interactive Information Technology (Shenzhen) Limited), a wholly-owned subsidiary of the Company, being the purchaser of the Sale Interest under the Acquisition Agreement
“Relevant Period”	the period from 28 July 2020, being six months prior to 28 January 2021 (the date of commencement of the Offer Period) and ending on and including the Latest Practicable Date
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	49% of the equity interest of the Target
“Sellers”	collectively, 深圳市誠佑科技有限公司 (Shenzhen Chengyou Technology Co., Ltd.); and Mr. Guo Xiaoquan (郭筱荃), being the sellers to the Acquisition Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the unconditional mandatory cash offer for the Offer Shares to be made by BOCOM Securities on behalf of the Offeror in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.75 per Offer Share in respect of the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 28 January 2021 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Price”	HK\$0.62 per Subscription Share
“Subscription Share(s)”	an aggregate of new 169,354,839 Shares allotted and issued by the Company and subscribed by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended from time to time
“Takeovers Code Independent Board Committee”	an independent committee of the Board comprising all the non-executive Directors who have no direct or indirect interest in the Offers, established for the purpose of advising the Independent Shareholders and the Optionholders in respect of the Offers and in particular as to whether the terms of the Offers are fair and reasonable and as to acceptances of the Offers
“Target”	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
“ WHITE Form of Share Offer Acceptance”	the white form of acceptance and transfer of Shares in respect of the Share Offer
“%”	per cent

Certain amounts and percentage figures included in this Composite Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain paragraphs and tables in this Composite Document may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM BOCOM SECURITIES



BOCOM International Securities Limited
15/F Man Yee Building
68 Des Voeux Road Central, Hong Kong

28 May 2021

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
BOCOM INTERNATIONAL SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF,
AND CANCEL ALL OUTSTANDING OPTIONS OF,
LOTO INTERACTIVE LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to (i) the Joint Announcement; and (ii) the joint announcements issued by the Offeror and the Company dated 11 February 2021, 18 February 2021, 26 February 2021, 31 March 2021, 16 April 2021 and 14 May 2021 in relation to, among other things, the entering into of the Subscription Agreement and the Acquisition Agreement, the Increase in Authorised Share Capital and the Offers.

As disclosed in the Joint Announcement, on 28 January 2021 (after trading hours of the Stock Exchange), (i) the Company and the Offeror entered into the Subscription Agreement, pursuant to which the Offeror has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares (i.e. an aggregate of 169,354,839 Shares) at the Subscription Price of HK\$0.62 per Subscription Share; and (ii) the Purchaser, a wholly-owned subsidiary of the Company, and the Sellers entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Sellers have conditionally agreed to sell the Sale Interest (representing 49% equity interest of the Target) for a cash consideration of RMB88.2 million (equivalent to approximately HK\$105.8 million) in accordance with the terms and conditions of the Acquisition Agreement.

The Subscription and the Acquisition are inter-conditional upon each other. The Acquisition Completion took place on 31 March 2021. The Company has applied all net proceeds from the Subscription to pay the consideration for the acquisition of the 49% of the equity interest of the Target.

LETTER FROM BOCOM SECURITIES

Following the Acquisition Completion, the Target has become an indirect wholly-owned subsidiary of the Company with its financial results, assets and liabilities consolidated in the consolidated financial statements of the Group.

The Target 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. The Target is operating one of the three big data centres of the Group, namely Ganzi Big Data Centre, which has commenced its operation since mid of 2020. Ganzi Big Data Centre has a gross area of approximately 10,500 square meter and an operation capacity of providing data analysis and storage services for up to 136,000 data processors at the same time, accounting for approximately 60% of total production capacity of the Group in terms of number of data processors. The Target is principally engaged in the provision of premises, hardware support, power supply, ancillary supervision and management services to its clients. The services provided by the Target cover from monitoring the average utilisation rate and working status of data processors to supervising the overall safety and security of both physical environment and internet connection within the big data centre. Some of the customers of the Group's big data centre are engaged in cryptocurrency mining business.

Immediately prior to the Subscription Completion, the Offeror (i.e. the Subscriber) and the parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) were beneficially interested in 128,192,632 Shares, representing approximately 33.82% of the then issued Shares of the Company. The Subscription Completion took place on 31 March 2021. Upon the Subscription Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) were interested in a total of 297,547,471 Shares, representing approximately 54.26% of the enlarged issued share capital of the Company as at the Latest Practicable Date. Accordingly, pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make the Share Offer to acquire all the Offer Shares and the Option Offer to cancel all the Options.

This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the intention of the Offeror regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. The Independent Shareholders and the Optionholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Takeovers Code Independent Board Committee" and the "Letter from the Independent Financial Adviser" as contained in this Composite Document before reaching a decision as to whether or not to accept the Offers.

2. THE OFFERS

As at the Latest Practicable Date, the Company has (i) 548,378,822 Shares in issue; and (ii) 38,903,600 Options conferring rights to subscribe for 38,903,600 new Shares with exercise prices ranging from HK\$0.26 to HK\$2.00 per Option. Save for the Options, the Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at Latest Practicable Date.

LETTER FROM BOCOM SECURITIES

BOCOM Securities is making the Offers on behalf of the Offeror, subject to the terms set out in this Composite Document and in the Form(s) of Acceptance, on the following basis:

The Share Offer

For each Offer Share. HK\$0.75 in cash

The Offer Price of HK\$0.75 per Offer Share was determined with reference to the historical Share price performance prior to the Last Trading Day as well as after considering the attractiveness of the Offer Price to the Independent Shareholders.

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including without limitation, the right to receive all dividends and distributions declared, paid or made, if any, on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, no dividend has been paid or declared by the Company and it is advised by the Board that the Company has no intention to make, declare or pay any future dividend or make other distributions until the close of the Share Offer.

The Option Offer

Pursuant to Rule 13.5 of the Takeovers Code, BOCOM Securities on behalf of the Offeror makes an appropriate cash offer to the holders of the Options for cancellation of all the outstanding Options, whether vested or not, by way of the Option Offer.

For cancellation of each Option with an exercise price of:

HK\$0.26 (24,860,000 Options in total) HK\$0.49 in cash

HK\$1.10 (13,643,600 Options in total) HK\$0.0001 in cash

HK\$2.00 (400,000 Options in total) HK\$0.0001 in cash

The Option Offer Price is the see-through price which represents the amount by which the Share Offer Price exceeds the exercise price of the relevant Option. In respect of Option with an exercise price higher than the Share Offer Price, the Option Offer Price is at a nominal amount of HK\$0.0001.

The Option Offer is extended to all Optionholders in accordance with the Takeovers Code. The Option Offer is unconditional in all respects when made and is not conditional upon any minimum level of acceptances being received or any other conditions. Following acceptance of the Option Offer, the Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers are unconditional in all aspects when made, and is not conditional upon any minimum level of acceptances being received or any other conditions.

LETTER FROM BOCOM SECURITIES

Irrevocable Undertakings in relation to the Offers

On 27 and 28 January 2021, each of (i) the executive and non-executive Directors (being Ms. Zhang Jing, Mr. Yan Hao, Ms. Huang Lilan and Mr. Yuan Qiang), (ii) Mr. Law, a party acting in concert with the Offeror, and (iii) three individual Shareholders (including Ms. Mak Lam, Mr. Li Qi and Mr. Mei Siyuan) has executed the Irrevocable Undertakings pursuant to which each of them has irrevocably undertaken not to accept the Share Offer or the Option Offer (as applicable) and he/she will not or/and will procure not to sell, transfer or dispose of any Shares or Options held by each of them or rights to such Shares or Options to third parties prior to completion, termination or withdrawal of the Offers. Accordingly, a total of 36,957,200 Shares and 15,066,800 Options are subject to the Irrevocable Undertakings. The Irrevocable Undertakings shall cease to be binding upon the earliest of (i) the date when the Offers close for acceptances; (ii) the date when the Offers lapse; (iii) the time when the Offeror announces that the Offers will not proceed; (iv) the date when the Offers are withdrawn in the circumstances permitted under the Takeovers Code; (v) the date when the Offer Period ends; or (vi) when an offer with a higher offer price is made. The aforementioned circumstances are the only instances under which the Irrevocable Undertakings shall cease to be binding.

Comparisons of value

The Share Offer Price of HK\$0.75 per Offer Share represents:

- (i) a premium of approximately 8.7% over the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 6.5% over the average closing price of HK\$0.704 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 6.7% over the average closing price of HK\$0.703 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 7.1% over the average closing price of HK\$0.7 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 25.0% over the closing price of HK\$0.6 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vi) a discount of approximately 10.71% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.84 per Share as at 31 December 2020 (based on the audited consolidated net asset value attributable to the Shareholders as at 31 December 2020 (the date to which the latest audited financial results of the Group were made up) divided by 379,023,983 Shares in issue as at 31 December 2020).

LETTER FROM BOCOM SECURITIES

Highest and lowest Shares prices

During the Relevant Period, the highest closing price of the Shares was HK\$1.60 per Share as quoted on the Stock Exchange on 16 February 2021 and the lowest closing price of the Shares was HK\$0.23 per Share as quoted on the Stock Exchange on 25 August 2020.

Value of the Offers

Subscription Completion took place on 31 March 2021. As at the Latest Practicable Date, there are 548,378,822 Shares in issue and 38,903,600 Options. As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) are interested in 297,547,471 Shares, representing approximately 54.26% of the entire issued share capital of the Company.

Assuming no Options has been exercised and there will be no other change in the total share capital of the Company up to the Closing Date, there will be 548,378,822 Shares in issue. Save for (i) 297,226,271 Shares already owned by the Offeror, and (ii) the Excluded Shares, (a) 214,195,351 Shares subject to the Share Offer and the value of the Share Offer will be HK\$160,646,513.3; and (b) the total consideration required to satisfy the cancellation of all the outstanding Options (excluding the Excluded Options) will be approximately HK\$7,135,327.7.

Assuming all Options have been exercised in full (excluding the Excluded Options) and there will be no other change in the total share capital of the Company up to the Closing date, there will be 572,215,622 Shares in issue. Save for (i) 297,226,271 Shares already owned by the Offeror; and (ii) the Excluded Shares, 238,032,151 Shares will be subject to the Share Offer and the value of the Offers and maximum cash consideration payable will be HK\$178,524,113.3.

Based on the foregoing, the maximum cash consideration payable by the Offeror under the Offers (assuming all Options are exercised in full and full acceptances under the Offers) will be approximately HK\$178,524,113.3.

Confirmation of financial resources available for the Offers

The Offeror intends to finance the consideration payable under the Offers by its internal resources. BOCOM (Asia), as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum cash consideration payable upon full acceptances of the Offers.

LETTER FROM BOCOM SECURITIES

Dealings and interests in the Company's securities

Save for the series of on market purchases of the Shares conducted by Mr. Law as further particularized in the table below, the Offeror and parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) have not dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

Date of purchase	Number of Shares purchased	Purchase price per Share (HK\$)	Aggregate consideration (HK\$)
October 16, 2020	20,000	0.56	11,293
October 21, 2020	12,000	0.58	7,088
October 30, 2020	64,000	0.59	37,862
October 30, 2020	20,000	0.57	11,431
November 3, 2020	20,000	0.62	12,494
November 5, 2020	16,000	0.60	9,691
November 9, 2020	12,000	0.60	7,289
December 4, 2020	20,000	0.75	15,096
Total	184,000		112,244

Settlement of consideration

Settlement of the consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days of the date on which duly completed form(s) of acceptance and the relevant documents of title of Shares or the Options (as the case may be) are received by the Offeror (or its agent) to render each such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent (HK\$) will be payable and the amount of cash consideration payable to an Independent Shareholder or an Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as the case may be) will be rounded up to the nearest cent (HK\$).

Availability of the Offers

The Offeror intends to make the Offers available to all Independent Shareholders and all Optionholders, including those with a registered address in a jurisdiction outside Hong Kong. The availability of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Holders should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

LETTER FROM BOCOM SECURITIES

Any acceptance by the Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders to the Offeror that the local laws and requirements have been complied with. Such Overseas Holders should consult their respective professional advisers if in doubt.

Effect of accepting the Offers

By accepting the Share Offer, the Independent Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of despatch of this Composite Document.

Pursuant to the 2012 Share Option Scheme, if the Offers are unconditional, the Optionholders of the 2012 Share Option Scheme shall be entitled to exercise their Options (to the extent not already exercised) at any time thereafter and up to the close of such offer and after which the Options shall lapse automatically. Optionholders should note that the Board has confirmed that it will exercise its discretion provided under the terms of the 2012 Share Option Scheme to the effect that, upon the close of such offer, no Option will be cancelled or lapsed solely as a result of the making of the Offers.

Acceptances of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Share Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Taxation advice

Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or parties acting in concert, the Company, BOCOM (Asia), BOCOM Securities and their respective directors, officers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

LETTER FROM BOCOM SECURITIES

3. INFORMATION ON THE GROUP

Details of the information on the Group are set out in the paragraph headed “5. Information on the Company and the Group” in the “Letter from the Board” in this Composite Document and Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

4. INFORMATION ON THE OFFEROR

The Offeror 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, the English name of the Offeror was changed to “BIT Mining Limited”. The Offeror’s new ticker symbol, “BTCM”, became effective from 20 April 2021.

According to the regulatory filing made to the U.S. Securities and Exchange Commission on 12 April 2021, the Offeror is committed to becoming a leading cryptocurrency mining enterprise. Since announcing its entry into the cryptocurrency industry in December 2020, the Offeror 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. The Offeror was also an online sports lottery service provider in China. The Offeror offers a comprehensive and integrated suite of online lottery services, information, user tools and virtual community venues to its users. As at the Latest Practicable Date, the Offeror’s market capitalisation was approximately US\$500.1 million.

As at the Latest Practicable Date, the single largest beneficial owner of the Offeror is Mr. Law, which owns 59.0% of voting rights of the Offeror.

As of the date of the Joint Announcement, the largest shareholder with the most voting rights in the Offeror was Tsinghua Unigroup International Co., Ltd. (“**Tsinghua Unigroup**”), which owned approximately 32.6% of voting rights of the Offeror. After the commencement of the Offer Period, pursuant to a share subscription agreement dated 21 December 2020 entered into between the Offeror and Good Luck Information Technology Co., Ltd. (“**Good Luck IT**”), a company wholly-owned by Mr. Law, an aggregate of 85,572,963 class A ordinary shares in the Offeror were issued to Good Luck IT at the aggregate consideration of approximately US\$23 million (the “**Good Luck Subscription**”) on 23 February 2021. Upon the completion of the Good Luck Subscription, Mr. Law and his associates, including Delite Limited (“**Delite**”) and Good Luck IT, beneficially owned 102,506,817 ordinary shares of the Offeror and held in aggregate the second most voting rights in the Offeror, being approximately 19.9% voting rights of the then issued share capital of the Offeror. The shares held by Good Luck IT in the Offeror were then transferred to Good Luck Capital Limited (“**Good Luck**”), another company wholly-owned by Mr. Law, on 5 March 2021. The reason of the Good Luck Subscription is that the Offeror could raise funds to finance its business transformation from online lottery distribution to cryptocurrency mining business and utilize Mr. Law’s expertise and experience in the blockchain and cryptocurrency industry. For further details on the Good Luck Subscription, please refer to the Offeror’s regulatory filings made to the U.S. Securities and Exchange Commission on 21 December 2020 and 23 February 2021, available at https://www.sec.gov/Archives/edgar/data/0001517496/000110465920137687/tm2039022d1_ex99-1.htm, and https://www.sec.gov/Archives/edgar/data/0001517496/000110465921026469/tm217630d1_ex99-1.htm, respectively.

LETTER FROM BOCOM SECURITIES

The Offeror has recently completed several transactions to develop its cryptocurrency mining business, including (i) entering into multiple agreements with a number of companies to acquire cryptocurrency mining machines; (ii) entering into a share exchange agreement with Bitdeer Technologies Holding Company to acquire its entire mining pool business, including the domain name BTC.com and its cryptocurrency wallet; and (iii) entering into an acquisition agreement to acquire Bee Computing (HK) Limited, a 7-nanometer mining machine manufacturer. By diversifying the Offeror's revenue streams, it has largely expanded its potential, business longevity, and ultimately the value proposition to its shareholders. These achievements would not have been possible without the assistance of the Offeror's original founder, Mr. Law. After the completion of the aforementioned transactions, the Offeror's shareholding structure was relatively dispersed. In light of this, the Offeror has been exploring possible ways to ensure the stability of the Offeror's corporate governance and long-term development of its businesses. As a result, on 7 April 2021, 65,000 class A preference shares (the "**Preference Shares**") were issued to Good Luck Capital Limited, a company wholly-owned by Mr. Law. Following the issuance of the Preference Shares, the aggregate voting rights of the Offeror held by Mr. Law increased to approximately 61.72% on 7 April 2021 and he became the shareholder with the most voting rights in the Offeror (the "**Increase in Voting Rights in the Offeror**"). Please refer to the U.S. Securities and Exchange Commission filing made by Mr. Law on 14 April 2021 for further details on the Increase in Voting Rights in the Offeror, which can be accessed at https://www.sec.gov/Archives/edgar/data/0001517496/000094787121000422/ss222648_sc13d.htm.

The Increase in Voting Rights in the Offeror may have potential implications in relation to chain principle under Note 8 to Rule 26.1 of the Takeovers Code. The Increase in Voting Rights in the Offeror and the Good Luck Subscription may constitute special deal under Rule 25 of the Takeovers Code. The Executive is looking into the above matter and its implication under the Takeovers Code and may take further action as appropriate.

The consolidated financial information of the Offeror is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Net revenue	126,089	39,688	21,815
Loss before income tax	(491,339)	(661,928)	(224,750)
Net loss	<u>(459,394)</u>	<u>(654,286)</u>	<u>(221,096)</u>
	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Total assets	1,246,584	695,779	470,473
Total liabilities	111,634	111,861	79,953
Total shareholders' equity	<u>1,105,562</u>	<u>569,069</u>	<u>390,520</u>

LETTER FROM BOCOM SECURITIES

5. FUTURE INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror intends to continue with the Group's existing principal business. The Offeror has currently no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business, and has no intention to use the Company as the platform to develop blockchain related business. As at the Latest Practicable Date, the Offeror has no intention to procure the Company to enter into any agreement, arrangement, understanding or negotiation to inject any new business into the Company or dispose any of the existing business of the Company. Leveraging the experience of the Offeror in the investment and online lottery sectors, the Offeror will also continue to explore possible business opportunities (such as big data service sector) appropriate to the Group's business and operations with a view to enhance the value of the Group. Upon the close of the Offers, the Offeror will conduct a detailed review of the operations of the Group and formulate business strategies for the Group's long-term development. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group.

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or negotiation to acquire new businesses or dispose of any of its existing businesses.

6. BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises two executive Directors, namely Mr. Yan Hao and Ms. Huang Lilan, two non-executive Directors, namely, Ms. Zhang Jing and Mr. Yuan Qiang, and three independent non-executive Directors, namely, Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian.

The Offeror will review the management composition of the Board upon the close of the Offers and make such changes as it thinks fit. Any changes to the Board will be made in compliance with the Takeovers Code, the GEM Listing Rules and the articles of association of the Company, and a separate announcement will be made in this regard as and when appropriate.

7. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends for the Company to remain listed on the GEM after the close of the Offers. The directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's shares following the close of the Offers, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or procuring the Company to issue additional Shares to members of the public for this purpose.

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

8. COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offers after the close of the Offers.

LETTER FROM BOCOM SECURITIES

9. SHAREHOLDING STRUCTURE OF THE COMPANY

Your attention is drawn to the paragraph headed “6. Shareholding Structure of the Company” in the “Letter from the Board” in this Composite Document.

10. GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Holders is drawn to Appendix I to this Composite Document.

All documents and remittances to be sent to the Independent Shareholders and the Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or, in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the accompanying Forms of Acceptance completed, returned and received by the Registrar. None of the Offeror, the Company, BOCOM (Asia), BOCOM Securities, the Independent Financial Adviser, the Registrar nor any of their respective directors, officers, professional advisers, associates, agents or any other parties involved in the Offers accepts any liabilities for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

11. ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Board”, the “Letter from the Takeovers Code Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document, the accompanying Form(s) of Acceptance and the additional information set out in the appendices to, and which form part of, this Composite Document before deciding whether or not to accept the Offers.

Yours faithfully,
For and on behalf of
BOCOM International Securities Limited
Sum Wai Kei, Wilfred
Responsible Officer

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

28 May 2021

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
BOCOM INTERNATIONAL SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF,
AND CANCEL ALL OUTSTANDING OPTIONS OF,
LOTO INTERACTIVE LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to (i) the Joint Announcement; and (ii) the joint announcements issued by the Offeror and the Company dated 11 February 2021, 18 February 2021, 26 February 2021, 31 March 2021, 16 April 2021 and 14 May 2021 in relation to, among other things, the entering into of the Subscription Agreement and the Acquisition Agreement, the Increase in Authorised Share Capital and the Offers.

LETTER FROM THE BOARD

As disclosed in the Joint Announcement, on 28 January 2021 (after trading hours of the Stock Exchange), (i) the Company and the Offeror entered into the Subscription Agreement, pursuant to which the Offeror has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares (i.e. an aggregate of 169,354,839 Shares) at the Subscription Price of HK\$0.62 per Subscription Share; and (ii) the Purchaser, a wholly-owned subsidiary of the Company, and the Sellers entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Sellers have conditionally agreed to sell the Sale Interest (representing 49% equity interest of the Target) for a cash consideration of RMB88.2 million (equivalent to approximately HK\$105.8 million) in accordance with the terms and conditions of the Acquisition Agreement.

The Subscription and the Acquisition are inter-conditional upon each other. The Acquisition Completion took place on 31 March 2021. The Company has applied all net proceeds from the Subscription to pay the consideration for the acquisition of the 49% of the equity interest of the Target.

Following the Acquisition Completion, the Target has become an indirect wholly-owned subsidiary of the Company with its financial results, assets and liabilities consolidated in the consolidated financial statements of the Group.

The Target 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. The Target is operating one of the three big data centres of the Group, namely Ganzi Big Data Centre, which has commenced its operation since mid of 2020. Ganzi Big Data Centre has a gross area of approximately 10,500 square meter and an operation capacity of providing data analysis and storage services for up to 136,000 data processors at the same time, accounting for approximately 60% of total production capacity of the Group in terms of number of data processors. The Target is principally engaged in the provision of premises, hardware support, power supply, ancillary supervision and management services to its clients. The services provided by the Target cover from monitoring the average utilisation rate and working status of data processors to supervising the overall safety and security of both physical environment and internet connection within the big data centre. Some of the customers of the Group's big data centre are engaged in cryptocurrency mining business.

Immediately prior to the Subscription Completion, the Offeror (i.e. the Subscriber) and the parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) were beneficially interested in 128,192,632 Shares, representing approximately 33.82% of the then issued Shares of the Company. The Subscription Completion took place on 31 March 2021. Upon the Subscription Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) were interested in a total of 297,547,471 Shares, representing approximately 54.26% of the enlarged issued share capital of the Company as at the Latest Practicable Date.

Accordingly, pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make the Share Offer to acquire all the Offer Shares and the Option Offer to cancel all the Options.

BOCOM Securities is making the Offers for and on behalf of the Offeror in accordance with the Takeovers Code.

LETTER FROM THE BOARD

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee comprising all non-executive Directors who have no direct or indirect interest in the Offers (which include Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian) has been established to advise the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to their acceptance. The full text of the letter from Takeovers Code Independent Board Committee is set out in this Composite Document.

Octal Capital Limited, the Independent Financial Adviser, with the approval of the Takeovers Code Independent Board Committee, has been appointed to advise the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the Offers as to whether the terms of the Offers are fair and reasonable and as to their acceptance. The full text of the letter from Octal Capital Limited is set out in this Composite Document.

Further terms and the procedures for acceptance of the Offers are set out in the “Letter from BOCOM Securities” and Appendix I to this Composite Document. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offers as well as to set out (i) the “Letter from the Takeovers Code Independent Board Committee” containing its recommendation to the Independent Shareholders and the Optionholders, and (ii) the “Letter from the Independent Financial Adviser” containing the advice of the Independent Financial Adviser to the Takeovers Code Independent Board Committee in relation to the Offers.

2. THE OFFERS

As set out in the “Letter from BOCOM Securities” contained in this Composite Document, BOCOM Securities, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offers on the terms set out in this Composite Document on the following basis:

The Share Offer

For each Offer Share. HK\$0.75 in cash

The Offer Price of HK\$0.75 per Offer Share was determined with reference to the historical Share price performance prior to the Last Trading Day as well as after considering the attractiveness of the Offer Price to the Independent Shareholders.

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including without limitation, the right to receive all dividends and distributions declared, paid or made, if any, on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, no dividend has been paid or declared by the Company and it is advised by the Board that the Company has no intention to make, declare or pay any future dividend or make other distributions until the close of the Share Offer.

The Share Offer is unconditional in all aspects when made, and is not conditional upon any minimum level of acceptances being received or any other conditions.

LETTER FROM THE BOARD

The Option Offer

Pursuant to Rule 13.5 of the Takeovers Code, the Offeror is making an appropriate cash offer to the holders of the Options for cancellation of all the outstanding Options, whether vested or not, by way of the Option Offer.

For cancellation of each Option with an exercise price of:

HK\$0.26 (24,860,000 Options in total) HK\$0.49 in cash

HK\$1.10 (13,643,600 Options in total) HK\$0.0001 in cash

HK\$2.00 (400,000 Options in total) HK\$0.0001 in cash

The Option Offer Price is the see-through price which represents the amount by which the Share Offer Price exceeds the exercise price of the relevant Option. In respect of Option with an exercise price higher than the Share Offer Price, the Option Offer Price is at a nominal amount of HK\$0.0001.

The Option Offer is extended to all Optionholders in accordance with the Takeovers Code. The Option Offer is unconditional in all respects when made and is not conditional upon any minimum level of acceptances being received or any other conditions. Following acceptance of the Option Offer, the Options together with all rights attaching thereto will be entirely cancelled and renounced.

Comparisons of value

The Share Offer Price of HK\$0.75 per Offer Share represents:

- (i) a premium of approximately 8.7% over the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 6.5% over the average closing price of HK\$0.704 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 6.7% over the average closing price of HK\$0.703 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 7.1% over the average closing price of HK\$0.7 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 25.0% over the closing price of HK\$0.6 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

LETTER FROM THE BOARD

- (vi) a discount of approximately 10.71% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.84 per Share as at 31 December 2020 (based on the audited consolidated net asset value attributable to the Shareholders as at 31 December 2020 (the date to which the latest audited financial results of the Group were made up) divided by 379,023,983 Shares in issue as at 31 December 2020).

3. IRREVOCABLE UNDERTAKINGS IN RELATION TO THE OFFERS

On 27 and 28 January 2021, each of (i) the executive and non-executive Directors (being Ms. Zhang Jing, Mr. Yan Hao, Ms. Huang Lilan and Mr. Yuan Qiang), (ii) Mr. Law, a party acting in concert with the Offeror, and (iii) three individual Shareholders (including Ms. Mak Lam, Mr. Li Qi and Mr. Mei Siyuan) has executed the Irrevocable Undertakings pursuant to which each of them has irrevocably undertaken not to accept the Share Offer or the Option Offer (as applicable) and he/she will not or/and will procure not to sell, transfer or dispose of any Shares or Options held by each of them or rights to such Shares or Options to third parties prior to completion, termination or withdrawal of the Offers. Accordingly, a total of 36,957,200 Shares and 15,066,800 Options are subject to the Irrevocable Undertakings. The Irrevocable Undertakings shall cease to be binding upon the earliest of (i) the date when the Offers close for acceptances; (ii) the date when the Offers lapse; (iii) the time when the Offeror announces that the Offers will not proceed; (iv) the date when the Offers are withdrawn in the circumstances permitted under the Takeovers Code; (v) the date when the Offer Period ends; or (vi) when an offer with a higher offer price is made. The aforementioned circumstances are the only instances under which the Irrevocable Undertakings shall cease to be binding.

4. FURTHER INFORMATION ON THE OFFERS

Please also refer to the “Letter from BOCOM Securities” contained in this Composite Document and Appendix I to this Composite Document for further information in relation to the Offers, the availability of the Offers to the Overseas Holders, taxation and acceptance and settlement procedures of the Offers.

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM (stock code: 8198). 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.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

LETTER FROM THE BOARD

6. SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to the Subscription Completion; (ii) immediately upon Subscription Completion and as at the Latest Practicable Date; and (iii) immediately upon Subscription Completion but before close of the Offers (assuming all of the Options have been exercised at or prior to close of the Offers):

Shareholders	Immediately prior to the Subscription Completion		Immediately upon Subscription Completion and as at the Latest Practicable Date		Immediately upon Subscription Completion but before close of the Offers (assuming all of the Options have been exercised at or prior to close of the Offers)	
	Number of Shares	(approximately) %	Number of Shares	(approximately) %	Number of Shares	(approximately) %
<i>The Offeror and parties acting in concert with it</i>						
The Offeror	127,871,432	33.74	297,226,271	54.20	297,226,271	50.61
Ms. Zhang Jing	137,200	0.04	137,200	0.03	3,704,000	0.63
Mr. Yan Hao	–	–	–	–	3,300,000	0.56
Ms. Huang Lilan	–	–	–	–	2,000,000	0.34
Mr. Yuan Qiang	–	–	–	–	6,200,000	1.06
Mr. Law	184,000	0.05	184,000	0.03	184,000	0.03
<i>Independent non-executive Directors</i>						
Dr. Lu Haitian	–	–	–	–	400,000	0.07
Mr. Lin Sen	–	–	–	–	400,000	0.07
Mr. Huang Jian	–	–	–	–	200,000	0.03
<i>Individual Shareholders under the Irrevocable Undertakings (other than the parties acting in concert with the Offeror)</i>						
Ms. Mak Lam	15,160,000	4.00	15,160,000	2.76	15,160,000	2.58
Mr. Li Qi	15,160,000	4.00	15,160,000	2.76	15,160,000	2.58
Mr. Mei Siyuan	6,316,000	1.67	6,316,000	1.15	6,316,000	1.08
<i>Other public Shareholders</i>	214,195,351	56.51	214,195,351	39.06	237,032,151	40.36
Total	379,023,983	100.00	548,378,822	100.00	587,282,422	100.00

LETTER FROM THE BOARD

Notes:

- (i) Given each of Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang holds positions in the Subscriber and that Mr. Yan Hao is an executive Director who has a close working relationship with the aforementioned Directors and is privy to the discussion and negotiation of the Subscription with the Offeror, they are presumed to be parties acting in concert with the Offeror.
- (ii) Mr. Law is a substantial shareholder and a director of the Offeror, a former chairman and chief executive officer of the Offeror and is a party acting in concert with the Offeror.
- (iii) Certain percentage figures included in this table have been subject to rounding adjustments. Figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

7. INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “Information on the Offeror” in the “Letter from BOCOM Securities” contained in this Composite Document.

8. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Please refer to the paragraph headed “Future intention of the Offeror in relation to the Group” in the “Letter from BOCOM Securities” for detailed information on the Offeror’s intention on the business and management of the Group.

The Board is aware of the intention of the Offeror in regard to the Group and will render cooperation and support to the Offeror. The Board is pleased to learn that the Offeror intends to continue the existing principal businesses of the Group. As at the Latest Practicable Date, the Offeror has no intention to procure the Company to enter into any agreement, arrangement, understanding or negotiation to inject any new business into the Company or dispose any of the existing business of the Company. Leveraging the experience of the Offeror in the investment and online lottery sectors, the Offeror will also continue to explore possible business opportunities (such as big data service sector) appropriate to the Group’s business and operations with a view to enhance the value of the Group. Upon the close of the Offers, the Offeror will conduct a detailed review of the operations of the Group and formulate business strategies for the Group’s long-term development. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group.

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or negotiation to acquire new businesses or dispose of any of its existing businesses.

9. BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises two executive Directors, namely Mr. Yan Hao and Ms. Huang Lilan, two non-executive Directors, namely, Ms. Zhang Jing and Mr. Yuan Qiang, and three independent non-executive Directors, namely, Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian. The Offeror did not propose to nominate any new Directors to the Board. Meanwhile, the Offeror will review the management composition of the Board upon the close of the Offers and make such changes as it thinks fit.

LETTER FROM THE BOARD

10. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends for the Company to remain listed on the GEM after the close of the Offers. The directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's shares following the close of the Offers, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or procuring the Company to issue additional Shares to members of the public for this purpose.

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

11. TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee comprising all non-executive Directors who have no direct or indirect interest in the Offers (which include Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian) has been established to advise the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to their acceptance.

The Independent Financial Adviser has been appointed by the Company (with approval from the Takeovers Code Independent Board Committee) to advise the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders in relation to the Offers and in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

12. RECOMMENDATION

We recommend the Independent Shareholders and the Optionholders to read the section headed "Letter from the Takeovers Code Independent Board Committee" as set out on pages IBC-1 to IBC-2 of this Composite Document which contains its recommendation to the Independent Shareholders and Optionholders in respect of the Offers, and the section headed "Letter from the Independent Financial Adviser" as set out on pages IFA-1 to IFA-26 of this Composite Document containing its advice to the Takeovers Code Independent Board Committee, Independent Shareholders and Optionholders in respect of the Offers.

LETTER FROM THE BOARD

13. ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

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

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Takeovers Code Independent Board Committee in respect of the Offers.



Loto Interactive Limited

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

28 May 2021

To the Independent Shareholders and the Optionholders,

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
BOCOM INTERNATIONAL SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF,
AND CANCEL ALL OUTSTANDING OPTIONS OF,
LOTO INTERACTIVE LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the Composite Document dated 28 May 2021 jointly issued by the Offeror and the Company of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Takeovers Code Independent Board Committee to consider the terms of the Offers and to advise you (i) as to whether Offers are, or are not, fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned; and (ii) as to the acceptance of the Offers, after taking into account the advice from Octal Capital Limited, the Independent Financial Adviser to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders.

Details of advice from the Independent Financial Adviser and the principal factors it has taken into consideration in arriving at its recommendations are set out in the section headed “Letter from the Independent Financial Adviser” in this Composite Document. Details of the Offers are set out in the section headed “Letter from BOCOM Securities”, Appendix I to this Composite Document and the accompanying Forms of Acceptance.

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Therefore, we recommend the Independent Shareholders and the Optionholders to accept the Offers.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the Share Offer Price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, the Independent Shareholders may wish to consider selling their Shares in the open market instead of accepting the Share Offer.

In any event, the Independent Shareholders and the Optionholders should also consider carefully the terms of the Offers and the section headed “Letter from the Independent Financial Adviser” in this Composite Document.

If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and the Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,

For and on behalf of the Takeovers Code Independent Board Committee of
Loto Interactive Limited

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 a letter of advice from Octal Capital Limited to the Takeovers Code Independent Board Committee in respect of the terms of the Offers which has been prepared for the purpose of incorporation in the Composite Document:



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

28 May 2021

To the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY
BOCOM INTERNATIONAL SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF,
AND CANCEL ALL OUTSTANDING OPTIONS OF,
LOTO INTERACTIVE LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the Offers. Details of the Offers are set out in the Composite Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

Reference is made to (i) the Joint Announcement; and (ii) the joint announcements issued by the Offeror and the Company dated 11 February 2021, 18 February 2021, 26 February 2021, 31 March 2021 and 16 April 2021 and 14 May 2021 in relation to, among other things, the entering into of the Subscription Agreement and the Acquisition Agreement, the Increase in Authorised Share Capital and the Offers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Joint Announcement, on 28 January 2021 (after trading hours of the Stock Exchange), (i) the Company and the Offeror entered into the Subscription Agreement, pursuant to which the Offeror has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares (i.e. an aggregate of 169,354,839 Shares) at the Subscription Price of HK\$0.62 per Subscription Share; and (ii) the Purchaser, a wholly-owned subsidiary of the Company, and the Sellers entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Sellers have conditionally agreed to sell the Sale Interest (representing 49% equity interest of the Target) for a cash consideration of RMB88.2 million (equivalent to approximately HK\$105.8 million) in accordance with the terms and conditions of the Acquisition Agreement.

Immediately prior to the Subscription Completion, the Offeror (i.e. the Subscriber) and the parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) were beneficially interested in 128,192,632 Shares, representing approximately 33.82% of the then issued Shares of the Company. The Subscription Completion took place on 31 March 2021. Upon the Subscription Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) were interested in a total of 297,547,471 Shares, representing approximately 54.26% of the enlarged issued share capital of the Company as at the Latest Practicable Date.

Accordingly, pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make the Share Offer to acquire all the Offer Shares and the Option Offer to cancel all the Options.

INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee comprising all non-executive Directors who have no direct or indirect interest in the Offers (which include Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian) has been established to advise the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to their acceptances. The full text of the letter from Takeovers Code Independent Board Committee is set out in the “Letter from the Takeovers Code Independent Board Committee” in the Composite Document.

We, Octal Capital Limited, have been appointed, with approval of the Takeovers Code Independent Board Committee, as the independent financial adviser to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders in relation to the Offers and in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Company, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. Accordingly, we are considered eligible to give independent advice on the Offers. In the last two years, we have been engaged as an independent financial adviser to the Company (the “**Previous Engagements**”) in respect of (i) a connected transaction relating to the Subscription, details of which are set out in the circular of the Company dated 11 March 2021; and (ii) a continuing connected transaction relating to the entering into of the services framework agreement, details of which are set out in the circular of the Company dated 19 April 2021. Under the Previous Engagements, we were required to express our opinion on and give recommendation to the independent committee of the Board and the Shareholders other than (i) the Subscriber and its associates and (ii) all other parties (if any) who are involved in or interested in the Subscription Agreement in respect of the relevant transactions. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed by the Directors to us are true, accurate and complete in all material aspects. We have also relied on our discussion with the Board and/or the management of the Company, given in writing or orally, regarding the Company and the Offers, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Board and the management of the Company in the Composite Document were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document were true, accurate and complete in all material respects and not misleading or deceptive up to the time of the Latest Practicable Date, and there are no other matters the omission of which would make any statement herein or the Composite Document misleading. Should there be any subsequent material changes which occur during the period from the date of the Composite Document up to the close of the Offers, we will notify the Takeovers Code Independent Board Committee the Independent Shareholders and the Optionholders as soon as possible.

We have not considered the tax implications on the Independent Shareholders and the Optionholders of their acceptances or non-acceptances of the Offers (as the case may be) since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION ON THE OFFERS

In assessing the Offers and in giving our recommendations to the Takeovers Code Independent Board Committee, the Independent Shareholders and the Optionholders, we have taken into account the following principal factors and reasons:

1. Background of the Offers

Subscription Completion took place on 31 March 2021. As at the Latest Practicable Date, the Company has (i) 548,378,822 Shares in issue; and (ii) 38,903,600 Options conferring rights to subscribe for 38,903,600 new Shares with exercise prices ranging from HK\$0.26 to HK\$2.00 per Option. Save for the Options, the Company has no other outstanding convertible securities, warrants, options or derivatives in issue which may confer any rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

BOCOM Securities, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offers on the terms set out in the Composite Document on the following basis:

The Share Offer

For each Offer Share. HK\$0.75 in cash

The Share Offer Price of HK\$0.75 per Offer Share was determined with reference to the historical Share price performance prior to the Last Trading Day as well as after considering the attractiveness of the Share Offer Price to the Independent Shareholders.

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including without limitation, the right to receive all dividends and distributions declared, paid or made, if any, on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document.

As at the Latest Practicable Date, no dividend has been paid or declared by the Company and it is advised by the Board that the Company has no intention to make, declare or pay any future dividend or make other distributions until the close of the Share Offer.

The Share Offer is unconditional in all aspects, and is not conditional upon any minimum level of acceptances being received or any other conditions.

The Option Offer

As at the Latest Practicable Date, there were 38,903,600 outstanding Options which, if vested, will confer rights on the Optionholders to subscribe for up to an aggregate of 24,860,000 Shares at an exercise price of HK\$0.26 per Share, 13,643,600 Shares at an exercise price of HK\$1.10 per Share, and 400,000 Shares at an exercise price of HK\$2.00 per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

By accepting the Option Offer, the Optionholders will agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of despatch of the Composite Document.

Pursuant to the 2012 Share Option Scheme, if the Offers are unconditional, the Optionholders of the 2012 Share Option Scheme shall be entitled to exercise their Options (to the extent not already exercised) at any time thereafter and up to the close of such offer and after which the Options shall lapse automatically. Optionholders should note that the Board has confirmed that it will exercise its discretion provided under the terms of the 2012 Share Option Scheme to the effect that, upon the close of such offer, no Option will be cancelled or lapsed solely as a result of the making of the Offers.

The details of the outstanding Options under the Share Option Scheme as at the Latest Practicable Date are set out below:

Date of grant	Exercise price per Share	Outstanding as at the Latest Practicable Date	Validity period until
10 August 2020	HK\$0.26	24,860,000	9 August 2030
1 April 2019	HK\$1.10 <i>(Note)</i>	13,634,600	31 March 2029
5 January 2018	HK\$2.00 <i>(Note)</i>	400,000	4 January 2028

Note:

As a result of the share consolidation which took effect on 28 May 2020, the exercise price per share of Options granted on 1 April 2019 and 5 January 2018 was adjusted from HK\$0.11 to HK\$1.10 and from HK\$0.2 to HK\$2.00 respectively.

As at the Latest Practicable Date, 15,066,800 Options are subjected to the Irrevocable Undertakings as described in the section headed “Irrevocable Undertakings in relation to the Offers” in the Letter from the Board.

Pursuant to Rule 13.5 of the Takeovers Code, BOCOM Securities on behalf of the Offeror makes an appropriate cash offer to the holders of the Options for cancellation of all the outstanding Options, whether vested or not, by way of the Option Offer.

For cancellation of each Option with an exercise price of:

HK\$0.26 (24,860,000 Options in total) HK\$0.49 in cash

HK\$1.10 (13,643,600 Options in total) HK\$0.0001 in cash

HK\$2.00 (400,000 Options in total) HK\$0.0001 in cash

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price represents the difference between the exercise prices of the Options and the Share Offer Price. The Option Offer Price is the see-through price which represents the amount by which the Share Offer Price exceeds the exercise price of the relevant Option. In respect of Option with an exercise price higher than the Share Offer Price, the Option Offer Price is at a nominal amount of HK\$0.0001. Under the Option Offer, the exercise price of 24,860,000 Options of HK\$0.26 (the “**In-the-money Options**”), is “in-the-money” and consequently the Option Offer Price of such Options is set at the see-through prices of HK\$0.49. The exercise price of remaining 13,643,600 and 400,000 Options of HK\$1.10 and HK\$2.00 (together the “**Out-of-the-money Options**”) are “out-of-the-money” and the Option Offer Price is at a nominal amount of HK\$0.0001.

The Option Offer is extended to all Optionholders in accordance with the Takeovers Code. The Option Offer is unconditional in all respects when made and is not conditional upon any minimum level of acceptances being received or any other conditions.

Irrevocable Undertaking in relation to the Offers

On 27 and 28 January 2021, each of (i) the executive and non-executive Directors (being Ms. Zhang Jing, Mr. Yan Hao, Ms. Huang Lilan and Mr. Yuan Qiang), (ii) Mr. Law, a party acting in concert with the Offeror, and (iii) three individual Shareholders (including Ms. Mak Lam, Mr. Li Qi and Mr. Mei Siyuan) has executed the Irrevocable Undertakings pursuant to which each of them has irrevocably undertaken not to accept the Share Offer or the Option Offer (as applicable) and he/she will not or/and will procure not to sell, transfer or dispose of any Shares or Options held by each of them or rights to such Shares or Options to third parties prior to completion, termination or withdrawal of the Offers. Accordingly, a total of 36,957,200 Shares and 15,066,800 Options are subject to the Irrevocable Undertakings. The Irrevocable Undertakings shall cease to be binding upon the earliest of (i) the date when the Offers close for acceptances; (ii) the date when the Offers lapse; (iii) the time when the Offeror announces that the Offers will not proceed; (iv) the date when the Offers are withdrawn in the circumstances permitted under the Takeovers Code; (v) the date when the Offer Period ends; or (vi) when an offer with a higher offer price is made. The aforementioned circumstances are the only instances under which the Irrevocable Undertakings shall cease to be binding.

2. Background of the Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM (stock code: 8198). The Group is principally engaged in (i) the provision of data analysis and storage services in the PRC; (ii) the distribution of mobile gaming in the PRC; and (iii) the money lending business in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Historical financial performance and prospects of the Group

Financial information of the Group

Set out below is a summary of the consolidated financial information of the Group 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 annual report of the Group for FY2020 (the “2020 Annual Report”) respectively:

Summary of statements of profit or loss and other comprehensive income

	For the year ended 31 December		
	2018	2019	2020
	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
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	–	–	2,250
Total Revenue	6,034	64,556	382,955
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
Net loss for the year	(34,781)	(34,771)	(43,255)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of statements of financial position

	As at 31 December		
	2018	2019	2020
	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
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	3,236
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	364,873	329,871	318,666

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.

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 the lottery business. 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 a data centre in June 2020; and (ii) the expenses in relation to the disposal of the Group's lottery business in FY2020 which was absent in FY2019. As a result, the net loss attributable to owners of the Company increased by approximately HK\$13.1 million of 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; and 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.

Future intentions of the Offeror and business prospects in relation to the Group

Data centres have been classified as one of the new infrastructure by the PRC government with a focus on accelerating the growth of this industry. According to the “Proposals of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035” (《中華人民共和國國民經濟和社會發展第十四個五年規劃綱要和二〇三五年遠景目標的建議》) which has been duly passed on 29 October 2020 in the favorably Fifth Plenary Session of the 19th Central Committee of the Communist Party of China, one of the goals is to accelerate the construction of 5G mobile communications, industrial internet, and big data centres. The development blueprint was further supported in the publication of National Development and Reform Commission of the PRC on 28 December 2020 “Guiding Opinions on Accelerating the Establishment of a National Integrated Big Data Centre Collaborative Innovation System” (《關於加快構建全國一體化大資料中心協同創新體系的指導意見》), which stated that the PRC government will promote and develop big data centres, including optimizing the network and energy resources to construct innovative big data centres, enhancing data centres infrastructure, improving data transfer efficiency and developing big data applications, etc.

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Moreover, the Ministry of Industry and Information Technology of the PRC issued the “Communications Statistics Bulletin 2020” (《2020年通信業統計公報》) in January 2021. According to the bulletin, due to the rapid development on cloud computing, big data, internet of things and artificial intelligence in recent years, the total income generated from fixed data and internet of thing in the PRC increased significantly from approximately RMB168.2 billion in 2015 to approximately RMB237.6 billion in 2020, coupled with an annual increase in such total income by approximately 9.2% in 2020 as compared to 2019 of approximately RMB217.6 billion. Staying-home living style becomes common in the PRC as a result of the impact of the COVID-19 epidemic, the demand for mobile internet applications has surged, and online consumption has been more predominant. High-traffic applications, such as short videos and live broadcasts, have also driven the rapid growth of mobile internet traffic. In 2020, the average monthly mobile internet traffic per individual in the PRC was approximately 10.4GB, representing a substantial increase of 32.4% when compared to 2019. Taking into account the rapid adoption of emerging technologies, including 5G, cloud computing, big data, blockchain and internet of things, it is foreseeable that the demand for data processing, storage and transmission capacity are expected to grow in future.

The Group acquired Chengdu Yilaike Technology Co., Ltd in 2018 and is currently at the transition period from the lottery business to big data centre business. The Group currently operates three big data centres in Sichuan, the PRC, which in aggregate have a gross area of over 18,000 square meters, with a total operation capacity of providing data analysis and storage services for up to 225,000 data processors at the same time.

On 27 January 2021, the Group entered into the Acquisition Agreement, details of which are disclosed in the Joint Announcement and the circular of the Company dated 11 March 2021. With reference to the Joint Announcement, it is the intention of the Group to further develop its data centre business through the Acquisition by (i) obtaining full management control of the Target, thereby achieving an improvement in management operational efficiency; and (ii) achieving commercial synergies to the existing big data centre business of the Group. The Acquisition Completion took place on 31 March 2021.

While the Group is committed to strengthen its marketing and promotion to attract new users, optimise the service content, including but not limited to accelerating the development of other value-added services to attract more high-quality customers and strive to increase the capacity of the big data centre, there is still in need of continuous capital investment to increase its market share and enhance data centre capacity. Its future business development will be dependent on factors such as marketing efforts, competition and service content development. With reference to the 2020 Annual Report, the Group is exposed to the risks associated with the change in PRC overall economic conditions. An outbreak of disease such as COVID-19 could potentially disrupt the Group’s business operations. Such disease outbreak could lead to a decrease in the level of economic activity in affected districts or movement restriction imposed by government, which could adversely affect the Group’s business and results of operations. Besides, the global investment market has experienced fluctuations in 2020 due to the outbreak of COVID-19. The unstable stock market atmosphere can adversely affect the fair value of equity investments of the Group and thus affect the Group’s financial performance and results of operations.

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Moreover, the Group's business is currently operated on a narrow customer base where approximately 70% of its revenue has been derived from its top five customers for FY2020. Although the Group recorded a significant annual increase in revenue by approximately 4.9 times for FY2020, the Group did not archive profit turnaround and even recorded an annual increase in net loss attributable to owners of the Company by approximately 39.1% for FY2020 due to (i) increase of administrative expenses, primarily the fixed overhead expenditure of the Group's big data centres as a result of the commencement of a data centre; and (ii) expenses in relation to the disposal of the Group's lottery business during FY2020. As advised by the management of the Group, the big data business is capital intensive in nature, which requires significant amount of capital for fixed overhead expenditure, including (i) one-off expenditure incurred during the commencement of operation of big data centre, being the installation cost of plant and equipment; and (ii) operating expenditure of big data centre, being the labour cost (including engineers and IT specialists) and maintenance cost of plant and equipment. As the big data business is still at its initial stage, its revenue was not sufficient to cover the fixed overhead expenditure. In view of this, we have discussed with the management of the Group on possible measures in improving the financial performance and noted that the Group will further focus on (i) enhancing its sales and marketing channels to broaden its customer network; (ii) enhancing operating efficiency by implementation of integrated solutions for operation, maintenance, financial management and resources allocation; and (iii) streamlining the operation flow to enhance efficiency. Moreover, we understand from the Company that, after the initial stage of these big data centres, the administrative expenses is expected to be minimized by the absence of one-off expenditure.

Albeit the favourable policies towards the data centre industry, the business environment and market conditions in the PRC are expected to remain challenging. Moreover, having considered the persistent increasing trend of net loss attributable to owners of the Company from approximately HK\$34.1 million in FY2018 to approximately HK\$33.6 million in FY2019 then to approximately HK\$46.8 million in FY2020 and its big data centre business is still at its initial stage, it is uncertain whether the Group can improve its financial performance and achieve turnaround results in the near future.

The Offeror has indicated that in the "Letter from BOCOM Securities" that the Offeror intends to continue the Group's existing principal business and has currently no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business, and has no intention to use the Company as the platform to develop blockchain related business. As at the Latest Practicable Date, the Offeror has no intention to procure the Company to enter into any agreement, arrangement, understanding or negotiation to inject any new business into the Company or dispose any of the existing business of the Company. Leveraging the experience of the Offeror in the investment and online lottery sectors, the Offeror will also continue to explore possible business opportunities (such as big data service sector) appropriate to the Group's business and operations with a view to enhance the value of the Group. Upon the close of the Offers, the Offeror will conduct a detailed review of the operations of the Group and formulate business strategies for the Group's long-term development. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group.

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As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or negotiation to acquire new businesses or dispose of any of its existing businesses.

On the basis of the above, we consider the future prospects of the Group remain uncertain in the near future and will depend on the future business plans and strategy of the Company to be formulated by the Offeror.

4. Information of the Offeror

The Offeror 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, the English name of the Offeror was changed to “BIT Mining Limited”. The Offeror’s new ticker symbol, “BTCM”, became effective from 20 April 2021.

According to the regulatory filing made to the U.S. Securities and Exchange Commission on 12 April 2021, the Offeror is committed to becoming a leading cryptocurrency mining enterprise. Since announcing its entry into the cryptocurrency industry in December 2020, the Offeror 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. The Offeror was also an online sports lottery service provider in China. The Offeror offers a comprehensive and integrated suite of online lottery services, information, user tools and virtual community venues to its users. As at the Latest Practicable Date, the Offeror’s market capitalisation was approximately US\$500.1 million.

As at the Latest Practicable Date, the single largest beneficial owner of the Offeror is Mr. Law, who owns 59.0% of voting rights of the Offeror.

As of the date of the Joint Announcement, the largest shareholder with the most voting rights in the Offeror was Tsinghua Unigroup International Co., Ltd. (“**Tsinghua Unigroup**”), which owned approximately 32.6% of voting rights of the Offeror.

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After the commencement of the Offer Period, pursuant to a share subscription agreement dated 21 December 2020 entered into between the Offeror and Good Luck Information Technology Co., Ltd. (“**Good Luck IT**”), a company wholly-owned by Mr. Law, an aggregate of 85,572,963 class A ordinary shares in the Offeror were issued to Good Luck IT at the aggregate consideration of approximately US\$23 million (the “**Good Luck Subscription**”) on 23 February 2021. Upon the completion of the Good Luck Subscription, Mr. Law and his associates, including Delite Limited and Good Luck IT, beneficially owned 102,506,817 ordinary shares of the Offeror and held in aggregate the second most voting rights in the Offeror, being approximately 19.9% voting rights of the then issued share capital of the Offeror. The shares held by Good Luck IT in the Offeror were then transferred to Good Luck Capital Limited (“**Good Luck**”), another company wholly-owned by Mr. Law, on 5 March 2021. The reason of the Good Luck Subscription is that the Offeror could raise funds to finance its business transformation from online lottery distribution to cryptocurrency mining business and utilize Mr. Law’s expertise and experience in the blockchain and cryptocurrency industry. For further details on the Good Luck Subscription, please refer to the Offeror’s regulatory filings made to the U.S. Securities and Exchange Commission on 21 December 2020 and 23 February 2021, available at https://www.sec.gov/Archives/edgar/data/0001517496/000110465920137687/tm2039022d1_ex99-1.htm, and https://www.sec.gov/Archives/edgar/data/0001517496/000110465921026469/tm217630d1_ex99-1.htm, respectively.

The Offeror has recently completed several transactions to develop its cryptocurrency mining business, including (i) entering into multiple agreements with a number of companies to acquire cryptocurrency mining machines; (ii) entering into a share exchange agreement with Bitdeer Technologies Holding Company to acquire its entire mining pool business, including the domain name BTC.com and its cryptocurrency wallet; and (iii) entering into an acquisition agreement to acquire Bee Computing (HK) Limited, a 7-nanometer mining machine manufacturer. By diversifying the Offeror’s revenue streams, it has largely expanded its potential, business longevity, and ultimately the value proposition to its shareholders. These achievements would not have been possible without the assistance of the Offeror’s original founder, Mr. Law. After the completion of the aforementioned transactions, the Offeror’s shareholding structure was relatively dispersed. In light of this, the Offeror has been exploring possible ways to ensure the stability of the Offeror’s corporate governance and long-term development of its businesses.

As a result, on 7 April 2021, 65,000 class A preference shares (the “**Preference Shares**”) were issued to Good Luck Capital Limited, a company wholly-owned by Mr. Law. Following the issuance of the Preference Shares and as at the Latest Practicable Date, the aggregate voting rights of the Offeror held by Mr. Law increased to approximately 61.72% on 7 April 2021 and he became the shareholder with the most voting rights in the Offeror (the “**Increase in Voting Rights in the Offeror**”). Please refer to the U.S. Securities and Exchange Commission filing made by Mr. Law on 14 April 2021 for further details on the Increase in Voting Rights in the Offeror, which can be accessed at https://www.sec.gov/Archives/edgar/data/0001517496/000094787121000422/ss222648_sc13d.htm.

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We noted that, after the commencement of the Offer Period, the voting rights of the Offeror has been changed due to (i) the Good Luck Subscription, in which the voting rights of the Offeror owned by Mr. Law and his associates increased to approximately 19.9%; and (ii) the issue of the Preference Shares, in which the voting rights of the Offeror owned by Mr. Law and his associates further increased to approximately 61.72%. The reason of the Good Luck Subscription is that the Offeror could raise funds to finance its business transformation from online lottery distribution to cryptocurrency mining business and utilize Mr. Law's expertise and experience in the blockchain and cryptocurrency industry. On the other hand, the reason of the issue of the Preference Shares is to maintain the stability of the Offeror's corporate governance and long-term development of its businesses after several acquisitions. We further noted that after the increase in Mr Law's voting rights of the Offeror, except the addition of Mr. Law as an executive director of the Offeror, the chairman and composition of the board of the Offeror remained the same. Moreover, according to the annual report of the Offeror filed with the U.S. Securities and Exchange Commission on 14 April 2021, Mr. Law is a major founder of the Offeror. As advised by the Offeror, despite the above changes in the Offeror's voting rights, the intention of the Offeror regarding the Group as mentioned above remains unchanged.

Based on above, in view that (i) the chairman and composition of the board of the Offeror remained the same, except for the addition of Mr. Law as the executive director of the Offeror, after the Good Luck Subscription and the issue of the Preference Shares; (ii) Mr. Law is the major founder of the Offeror; (iii) the issue of the Preference Shares is mainly to maintain the stability of the Offeror's corporate governance and long-term development of its businesses after several acquisitions; and (iv) the intention of the Offeror regarding the Group remains unchanged, we consider that the Increase in Voting Rights in the Offeror has not affected our analysis in respect of the Offers.

5. Principal terms of the Offers

(a) Share Offer Price comparisons

The Share Offer Price of HK\$0.75 per Offer Share represents:

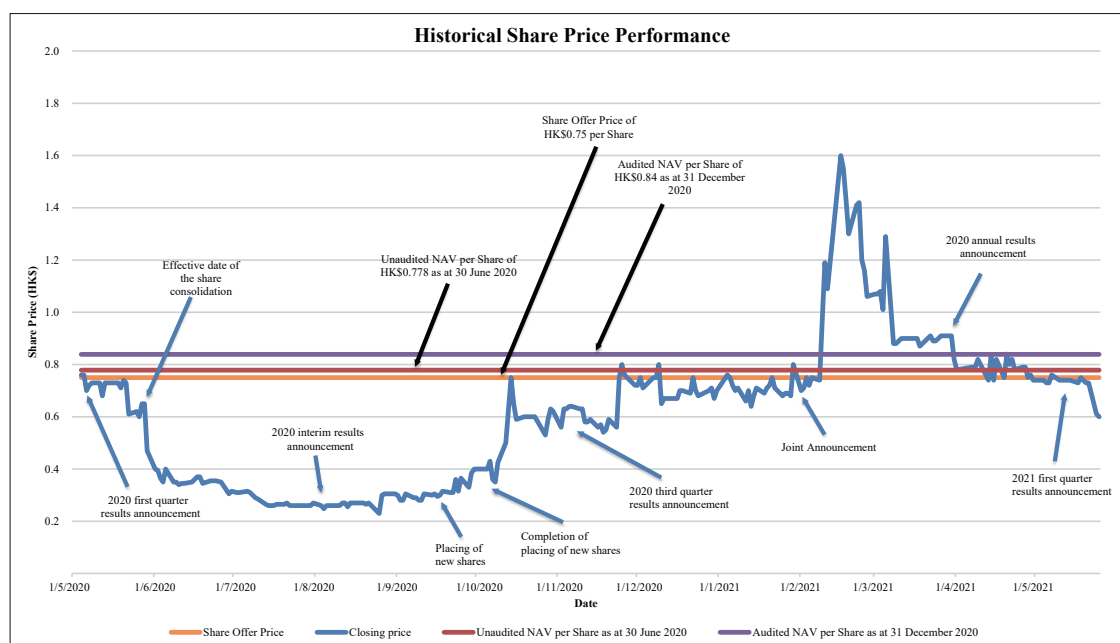
- (i) a premium of approximately 8.7% over the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 6.5% over the average closing price of HK\$0.704 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 6.7% over the average closing price of HK\$0.703 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 7.1% over the average closing price of HK\$0.7 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;

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- (v) a premium of approximately 25.0% over the closing price of HK\$0.6 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (vi) a discount of approximately 3.6% to the unaudited NAV of approximately HK\$0.778 per Share as at 30 June 2020 (based on the unaudited NAV as at 30 June 2020 divided by 379,023,983 Shares in issue as at the date of the Joint Announcement); and
- (vii) a discount of approximately 10.7% to the audited NAV of the Company of approximately HK\$0.84 per Share as at 31 December 2020 (based on the audited NAV as at 31 December 2020 (the date to which the latest audited financial results of the Group were made up) divided by 379,023,983 Shares in issue as at the 31 December 2020).

(b) *Historical price performance of the Shares*

We have analysed the movement of the daily closing prices of the Shares quoted on the Stock Exchange, during the period commencing from 1 May 2020 up to the Latest Practicable Date (the “**Review Period**”). We consider that the duration of the Review Period of approximately one year would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares. The comparison of daily closing prices of the Offer Shares and a summary of announcements published by the Company of significant events that took place are illustrated as follows:



Source: Stock Exchange (www.hkex.com.hk)

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With reference to the above chart, the closing price of the Shares ranged from HK\$0.23 per Share to HK\$1.60 per Share during the Review Period. The average closing price of the Shares over the Review Period was approximately HK\$0.61. The Share Offer Price had been above to the closing prices of the Shares for 192 trading days out of the total 263 trading days (representing approximately 73.0% of the total number of trading days) in the entire Review Period.

The closing price of the Shares has been on a downward trend after the release of the 2020 first quarter results announcement of the Company on 7 May 2020 from HK\$0.72 per Share to the lowest closing price of HK\$0.23 per Share on 25 August 2020. The closing price of the Shares was on an upward trend after the announcement of placing of new Shares on 24 September 2020 (the “**Placing**”) and further increased to HK\$0.80 per Share after the release of the 2020 third quarter results announcement on 6 November 2020.

After the publication of the Joint Announcement on 28 January 2021 and up to the Latest Practicable Date, the closing price of the Shares bounced from HK\$0.68 on 28 January 2021 (being the date of publication of the Joint Announcement) to the highest closing price of HK\$1.60 on 16 February 2021. The closing price of the Shares then moved in a downward trend and dropped to HK\$0.6 on the Latest Practicable Date. As advised by the Directors, the Company is not aware of any specific reason for the above fluctuation of closing price of the Shares during the period between the date of Joint Announcement and the Latest Practicable Date. From the above observations, we consider that the increase in the closing prices of the Shares after the publication of the Joint Announcement may have reflected the market’s speculation on the Offers and may not sustain after the close of the Offers.

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During the Review Period, the Share Offer Price of HK\$0.75 per Share (i) is within the range of the closing price between HK\$0.23 per Share and HK\$1.60 per Share and higher than the average closing price of the Share of HK\$0.61 per Share; (ii) represents a premium of approximately 226.1% over the lowest closing price of HK\$0.23 per Share, a premium of approximately 23.0% over the average closing price of HK\$0.61 per Share and a discount of 53.1% to the highest price of approximately HK\$1.60 per Share; and (iii) is higher than the closing price of the Shares for 192 out of 263 trading days.

In addition, we noted that the Share Offer Price represents a discount of approximately 3.6% to the unaudited NAV per Share as at 30 June 2020 of approximately HK\$0.778 (the “**2020 1H NAV per Share**”) and a discount of approximately 10.7% to the audited NAV per Share as at 31 December 2020 of approximately HK\$0.84 (the “**2020 2H NAV per Share**”). During the Review Period, the closing price of the Shares generally traded below the 2020 1H NAV per Share and the 2020 2H NAV per Share, whereas the closing price of the Shares traded higher than the 2020 1H NAV per Share and the 2020 2H NAV per Share for only 50 and 35 out of 263 trading days respectively, indicating that the NAV was unable to reflect true value of the Company while the current market price reflects the fair value of the Company and trading price acceptable by the market. Accordingly, we consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Share Offer Price.

(c) *Liquidity of the Shares*

The table below sets out the monthly statistics of the average daily trading volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period:

Period/month	Total volume of the Shares traded ^(Note 1) (Shares)	Number of trading days (days)	Average daily trading volume ^(Note 1,2) (Shares)	Number of issued Shares as at the end of the period/month ^(Note 1,3,4) (Shares)	Number of issued Shares held by the Independent Shareholders as at the end of the period/month ^(Note 1) (Shares)	Approximately % of average daily trading volume to the then total number of issued Shares as at the end of the period/month ^(Note 5) (%)	Approximately % of average daily trading volume to the then total number of issued Shares held by the public as at the end of the period/month ^(Note 6) (%)
Pre-announcement Review Period							
2020							
May	1,112,960	20	55,648	315,859,983	187,851,351	0.02	0.03
June	1,888,440	21	89,926	315,859,983	187,851,351	0.03	0.05
July	4,092,280	22	186,013	315,859,983	187,851,351	0.06	0.10
August	1,952,740	21	92,988	315,859,983	187,851,351	0.03	0.05
September	2,723,626	22	123,801	315,859,983	187,851,351	0.04	0.07
October	2,758,532	18	153,252	379,023,983	250,899,351	0.04	0.06
November	1,714,315	21	81,634	379,023,983	250,831,351	0.02	0.03
December	1,955,060	22	88,866	379,023,983	250,831,351	0.02	0.04

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Period/month	Total volume of the Shares traded ^(Note 1) (Shares)	Number of trading days (days)	Average daily trading volume ^(Note 1,2) (Shares)	Number of issued Shares as at the end of the period/ month ^(Note 1,3,4) (Shares)	Number of issued Shares held by the Independent Shareholders as at the end of the period/ month ^(Note 1) (Shares)	Approximately % of average daily trading volume to the then total number of issued Shares as at the end of the period/ month ^(Note 5) (%)	Approximately % of average daily trading volume to the then total number of issued Shares held by the public as at the end of the period/ month ^(Note 6) (%)
2021							
January (up to and including the Last Trading Day)	6,435,200	18	357,511	379,023,983	250,831,351	0.09	0.14
Post-announcement Review Period							
January (from 28 January to 31 January)	1,685,800	2	842,900	379,023,983	250,831,351	0.22	0.34
February	18,220,322	18	1,012,240	379,023,983	250,831,351	0.27	0.40
March	6,315,960	23	274,607	548,378,822	250,831,351	0.05	0.11
April	2,774,200	19	146,011	548,378,822	250,831,351	0.03	0.06
May (up to the Latest Practicable Date)	6,414,010	16	400,879	548,378,822	250,831,351	0.07	0.16

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. The number of Shares has been adjusted for the share consolidation which took effect on 28 May 2020.
2. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
3. The number of the issued Shares has increased from 315,859,983 to 379,023,983 following the completion of the Placing on 9 October 2020.
4. The number of the issued Shares has increased from 379,023,983 to 548,378,822 following the Subscription Completion on 31 March 2021.
5. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Last Trading Day or as at the Latest Practicable Date, as applicable.
6. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company held by the public at the end of each month or as at the Last Trading Day or as at the Latest Practicable Date, as applicable.

The trading of the Shares was generally inactive from 1 May 2020 to the publication of the Joint Announcement (the “**Pre-announcement Review Period**”). The average daily trading volume for the respective month or period during the Pre-announcement Review Period ranged from approximately 55,648 Shares to approximately 357,511 Shares, representing approximately 0.02% to 0.09% of the total number of Shares in issue and approximately 0.03% to 0.14% of the total number of Shares held by the public.

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After the publication of the Joint Announcement on 28 January 2021 and up to the Latest Practicable Date (the “**Post-announcement Review Period**”), we noted that there was an increase in trading volume of the Share as a percentage of the total issued Shares which ranged from approximately 0.03% to approximately 0.27%, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.06% to approximately 0.40%.

Taking into consideration that the trading volume of the Shares were thin in general during the Pre-announcement Review Period, it is uncertain that the overall liquidity of the Shares could be maintained in the near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, especially those with large volume of Shares, without exerting a downward pressure on the Share price. The Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Share Offer Price.

Nonetheless, Independent Shareholders should take into account of their individual risk preference and tolerance level before making any investment decision in relation to the Shares. If any Independent Shareholders who, after reading through the Composite Document and this letter, would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire for their Shares at a price higher than the Share Offer Price and the net proceeds from the sale of their Shares would exceed the net amount receivable under the Share Offer, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s) (either in all or in part), as they wish to do so and as they think fit having regard to their own circumstances together with the relevant risks and uncertainties based on their individual risk preference and tolerance level.

6. Market comparable analysis

(a) Comparison with comparable companies

As set out in the section above headed “3. Historical financial performance and prospects of the Group” in this letter, the revenue generated from big data centre business represents approximately 99% of the total revenue of the Group for the year ended 31 December 2020. For the purpose of evaluating the Share Offers, we have analysed the listed companies that we consider have a business similar to the Group, which are (i) principally engaged in the data centre services business which contributed over 50% of the revenue from such segment; and (ii) listed on the Stock Exchange. Based on the above selection criteria, we have identified two companies listed on the Stock Exchange, namely SUNeVision Holdings Ltd (“**SUNeVision**”) (1686.HK) and GDS Holdings Ltd (“**GDS Holdings**”) (9698.HK) (together, the “**Industry Comparables**”), which, in our view, are comparable in principle to the Group according to our research on website of the Stock Exchange and represent an exhaustive list based on the selection criteria.

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We noted that the market capitalisation of SUNeVision and GDS Holdings were approximately HK\$17 billion and HK\$152 billion as at the Last Trading Day respectively, which were substantially higher than the market capitalisation of the Company of approximately HK\$0.26 billion as at the Last Trading Day. Moreover, based on our further studies on the latest interim report of SUNeVision and the latest annual report of GDS Holdings published on 16 March 2021 and 12 April 2021 respectively, we noted that (i) SUNeVision and GDS Holdings have long operating history in data centre business while they commenced their data centre business in 1999 and 2001 respectively, whereas the Group commenced its data centre business since 2019; and (ii) the total gross floor area in service of data centres for SUNeVision and GDS Holdings are approximately 130,000 square meters and 318,000 square meters respectively, which are substantially larger than the total gross floor area in service of the Group's data centres of approximately 18,000 square meters. In view of the above material difference between the Industry Comparables and the Company in terms of market capitalisation, operating history and scale of operation, we consider that comparison on market multiple between the Industry Comparables and the Company is not meaningful.

(b) Comparison with comparable offers

To further assess the fairness and reasonableness of the Share Offer Price, we have attempted to compare the Share Offer Price with the recent premium/discount of offer prices of other similar transactions to the Share Offer. Having considered that (i) the Group is principally engaged in data centre business; (ii) the implied market capitalisation of the Group was approximately HK\$284.3 million based on the Share Offer Price and the number of issued Shares as the Last Trading Day; and (iii) the Subscription triggers mandatory offer obligation under the Takeovers Code, we have attempted to identify companies listed on the Stock Exchange based on the following selection criteria, which (i) are principally engaged in data centre business; (ii) have undergone mandatory general offer during the Review Period; and (iii) had implied market capitalisation less than HK\$500 million based on corresponding offer prices and number of issued shares as at date of respective offer announcements. Nevertheless, we could not identify any comparable companies based on the aforementioned selection criteria.

In this regard, we have relaxed the selection criteria regarding industry focus stated above based on limited number of companies principally engaged in data centre business listed on the Stock Exchange. We have identified 15 listed companies on the Stock Exchange with implied market capitalisation less than HK\$500 million which have undergone mandatory general offer during the Review Period (the “**Comparable Offer(s)**”). We consider the time frame is sufficient to demonstrate the recent market trends with sufficient and representative number of Comparable Offers and thus we consider the timeframe is reasonable and representative.

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The Comparable Offers represent an exhaustive list of comparable companies meeting the aforementioned criteria as identified by us based on our research on the Stock Exchange. Though the listed companies under the Comparable Offers have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that the Comparable Offers are meaningful for illustration purpose and are more relevant in comparing the offer prices in the market of other similar transactions to the Offer to enable the Independent Shareholders to make a balanced and informed decision of whether the Share Offer Price is fair and reasonable as (i) the offer prices of the Comparable Offers can provide the general pricing trend of recent general offer transactions of listed companies in Hong Kong and are solely taken as a reference on general transaction terms in the amount which the offerors are willing to pay to the independent shareholders in order to obtain control over a listed company under the current economic atmosphere; and (ii) the purpose of the Comparable Offers analysis is to compare the offer prices of the Comparable Offers with the respective closing price as at the last trading day, so as to determine whether the Share Offer Price is in line with the offer prices of the recent general offer exercises in the market. Details of the Comparable Offers are set out below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Industry sector	Announcement date	Closing share price as at the last trading day (as defined in the corresponding Comparable Offer) (HK\$)	Offer price (HK\$)	Implied market capitalisation based on the offer price ^(Note) (HK\$ million)	Premium/ (discount) of offer price over/ (to) the closing price of the last trading day (as defined in the corresponding Comparable Offer) (%)
PF Group Holdings Limited (8221)	Financials	6 May 2020	0.044	0.0812	162.4	84.55
Bossini International Holdings Limited (592)	Consumer Discretionary	14 May 2020	0.148	0.043	70.6	(70.95)
Global Mastermind Capital Limited (905)	Financials	25 May 2020	0.106	0.09	63.0	(15.09)
Kwan On Holdings Limited (1559)	Properties and Construction	10 September 2020	0.155	0.22	348.5	41.94
Midland IC&I Limited (459)	Properties and Construction	20 October 2020	0.096	0.09587	173.1	(0.14)
Milestone Builder Holdings Limited (1667)	Properties and Construction	29 October 2020	0.29	0.28125	270.0	(3.02)
Fullwealth Construction Holdings Company Limited (1034)	Properties and Construction	2 December 2020	0.21	0.125	200.0	(40.48)
BCI Group Holdings Limited (8412)	Consumer Discretionary	17 December 2020	0.178	0.08	76.8	(55.06)
Cash Financial Services Group Limited (510)	Financials	31 December 2020	0.7	0.75	182.0	7.14
Great Wall Belt & Road Holdings Limited (524)	Telecommunications	21 January 2021	0.219	0.1687	177.2	(22.97)
HKE Holdings Limited (1726)	Healthcare	9 April 2021	0.26	0.188	150.4	(27.69)
MEIGU Technology Holding Group Limited (8349)	Properties and Construction	15 April 2021	0.15	0.2	80.0	33.33
LKS Holding Group Limited (1867)	Properties and Construction	27 April 2021	0.12	0.22	246.4	83.33
Eagle Legend Asia Limited (936)	Industrials	28 April 2021	0.57	0.45	477.0	(21.05)
Speed Apparel Holding Limited (3860)	Consumer Discretionary	5 May 2021	1.8	0.988	494.0	(45.11)
					Maximum	84.55
					Minimum	(70.95)
					Median	(15.09)
					Average	(3.42)
The Company	Information Technology	28 January 2021	0.69	0.75	284.3	8.70

Note:

The calculation is based on the offer price multiplied by the number of issues shares of the company as at the date of respective offer announcement of the Comparable Offers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the above table, we noted that price comparison of the Comparable Offers ranged from a discount of approximately 70.95% to a premium of approximately 84.55%, with a median and an average discount of approximately 15.09% and 3.42% respectively. We noted that the premium of the Share Offer Price over the closing price of the Shares on the Last Trading Day of approximately 8.7% (i) falls within the range of the Comparable Offers; (ii) is higher than the average and median of the Comparable Offers; and (iii) is higher than 11 out of the 15 Comparable Offers.

Based on the above, we consider the premium of the Share Offer Price over the closing price of the Shares on the Last Trading Day compare favourably against those of the Comparable Offers.

7. Other considerations

(a) Proposed change of Board composition of the Company

As at the Latest Practicable Date, the Board comprises two executive Directors, namely Mr. Yan Hao and Ms. Huang Lilan, two non-executive Directors, namely, Ms. Zhang Jing and Mr. Yuan Qiang, and three independent non-executive Directors, namely, Dr. Lu Haitian, Mr. Lin Sen and Mr. Huang Jian.

The Offeror will review the management composition of the Board upon the close of the Offers and make such changes as it thinks fit. Any changes to the Board will be made in compliance with the Takeovers Code, the GEM Listing Rules and the articles of association of the Company, and a separate announcement will be made in this regard as and when appropriate.

(b) Public float and maintaining the listing status of the Company

The Offeror intends for the Company to remain listed on the GEM after the close of the Offers. The directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's shares following the close of the Offers, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or procuring the Company to issue additional Shares to members of the public for this purpose.

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

The Share Offer

In overall, having considered the following that (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Share Offer Price represents a premium of approximately 6.5%, 6.7% and 7.1% over the average closing price of the Shares for the last five, ten and thirty consecutive trading days up to and including the Last Trading Day respectively;
- (ii) the Share Offer Price has been above the closing price of the Shares for 192 trading days out of 263 trading days during the Review Period and the Share Offer Price represents a premium of approximately 23.0% over the average closing price of approximately HK\$0.61 during such period;
- (iii) the increase in the closing prices of the Shares after the publication of the Joint Announcement may have reflected the market's speculation on the Offers and may not sustain after the close of the Offers;
- (iv) the premium of the Share Offer Price over the closing price of the Shares on the Last Trading Day falls within the range of the Comparable Offers, is higher than the average and median of the Comparable Offers and is higher than 11 out of the 15 Comparable Offers;
- (v) the trading volume of the Shares was generally thin during the Pre-announcement Review Period. The Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares, especially for those holding a large block of the Shares, at the Share Offer Price;
- (vi) the Group recorded net loss attributable to owners of the Company for three consecutive financial years from FY2018 to FY2020, it is uncertain as to whether the Group can make a turnaround in the near future; and
- (vii) the Offeror has not yet formulated a concrete plan for the Group after the close of the Offer and given the current loss-making trend and the short operating history of the big data centre business and uncertainties in business execution, the prospect of the Group remains uncertain,

we are of the opinion that the terms of the Share Offer (including the Share Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Takeovers Code Independent Board Committee to recommend the Independent Shareholders to accept the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price and liquidity of the Shares during the Offer Period and may, instead of accepting the Share Offer, consider selling their Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Share Offer. The Independent Shareholders who believe that they will not be able to sell the Shares in the market at a price higher than the Share Offer Price because of their size of the shareholding may consider the Share Offer as an alternative exit of their investments.

The Option Offer

As at the Latest Practicable Date, save for the Options granted by the Company pursuant to the Share Option Scheme, under which 38,903,600 Options remain outstanding, the Company has no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares. Other than the outstanding Options, there were no options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

Under the Option Offer, the In-the-money Options (i.e. 24,860,000 Options) with the exercise price of HK\$0.26, which will expire on 9 August 2030, is “in-the-money” and consequently its Option Offer Price is set at the see-through prices of HK\$0.49.

In assessing the terms of the Option Offer, we envisage that the adoption of a see-through price (being the difference between the Share Offer Price and any given exercise price of the Options) is commonly regarded as the minimum offer price for any Option in conjunction with a general offer for ordinary shares. Accordingly, we recommend the Takeovers Code Independent Board Committee to advise the Optionholders, who are holding the In-the-money Options with an exercise price of HK\$0.26, receiving the see through price of HK\$0.49 to accept the Option Offer.

The Out-of-the-money Options (i.e. 13,643,600 and 400,000 Options) with the exercise price of HK\$1.10 and HK\$2.00, which will expire on 31 March 2029 and 4 January 2028 respectively, are “out-of-the-money” and their Option Offer Price is set at the see-through prices of nominal amount of HK\$0.0001.

The remaining Optionholders, who are holding the Out-of-the-money Options with exercise prices of HK\$1.10 and HK\$2.00 respectively and are entitled to receive the nominal value of HK\$0.0001 for each Out-of-the-money Option, may consider retaining their Out-of-the-money Options, taking into account (i) the Option Offer Price is at a nominal value; and (ii) over 7 years of remaining validity period of the Out-of-the-money Options.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Optionholders who wish to realise whole or part of their Options should consider exercising their Options and selling the Shares so converted in the open market, rather than accepting the Option Offer, if the net proceeds from such sales (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer. The Optionholders should exercise caution in doing so and monitor the market closely.

The Optionholders are strongly advised that the decision to accept the Option Offer or to exercise the Options and hold their investment in the Shares is subject to individual circumstances and investment objectives.

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. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong, in an envelope marked "**Loto Interactive Limited – Share Offer**", as soon as possible, and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "**Loto Interactive Limited – Share Offer**" the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Loto Interactive Limited – Share Offer**" the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked "**Loto Interactive Limited – Share Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it in an envelope marked "**Loto Interactive Limited – Share Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of BOCOM Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the **WHITE** Form of Share Offer Acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange. If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptance of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.
- (h) No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

- (a) To accept the Option Offer, you should complete and sign the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) If you are an Optionholder and you wish to accept the Option offer in respect of your Options (whether in full or in part), you must send duly completed and signed **PINK** Form of Option Offer Acceptance, together with the relevant certificate(s) of the Options (if applicable) and/or other document(s) of title or entitlement (and/or satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Options which you hold that you wish to tender to the Option Offer, by post or by hand, to the company secretary of the Company, at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, provided however, no Option shall be capable of acceptance if at the time of acceptance, such Option has lapsed.
- (c) Optionholders should note that pursuant to the 2012 Share Option Scheme, the Optionholders of the 2012 Share Option Scheme shall be entitled to exercise their Options (to the extent not already exercised) at any time thereafter and up to the close of such offer and after which the Options shall lapse automatically. Optionholders should note that the Board has confirmed that it will exercise its discretion provided under the terms of the 2012 Share Option Scheme to the effect that, upon the close of such offer, no Option will be cancelled or lapsed solely as a result of the making of the Offers.
- (d) No stamp duty is payable in connection with the acceptance of the Option Offer.
- (e) No acknowledgement of receipt of any **PINK** Form of Option Offer Acceptance, certificate(s) of the Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the **WHITE** Form of Share Offer Acceptance must be received by the Registrar and the **PINK** Form of Option Offer Acceptance must be received by the company secretary of the Company, in each case, in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.

- (b) If the Offers are extended, the Offeror will issue an announcement on any extension of the Offers, which announcement will state either the next offer Closing Date or, a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the relevant Offers before the Offers are closed. If, in the course of the Offers, the Offeror revises the terms of the Offers, all Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will benefit under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (c) If the Closing Date is extended, any reference in the Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.
- (d) Any acceptance of the relevant revised Offers pursuant thereto shall be irrevocable unless and until the Independent Shareholders and Optionholders become entitled to withdraw their acceptance in accordance with the paragraph headed "7. Right of Withdrawal" in this Appendix and duly does so.

3. EXERCISE OF OPTIONS

Optionholders who wish to accept the Share Offer may (i) exercise his/her/its Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the Registrar before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the respective terms and conditions of the 2012 Share Option Scheme and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or BOCOM Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Options as aforesaid and in accordance with the respective terms and conditions of the 2012 Share Option Scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

4. STATUS OF OPTIONS UPON CLOSE OF OFFERS

As referred to in the paragraph headed “Effect of Accepting the Offers” in the “Letter from BOCOM Securities” contained in this Composite Document, Optionholders should note that pursuant to the 2012 Share Option Scheme, as the Offers are unconditional, the Optionholders of the 2012 Share Option Scheme shall be entitled to exercise their Options (to the extent not already exercised) at any time thereafter and up to the close of such offer and after which the Options shall lapse automatically. Optionholders should note that the Board has confirmed that it will exercise its discretion provided under the terms of the 2012 Share Option Scheme to the effect that, upon the close of such offer, no Option will be cancelled or lapsed solely as a result of the making of the Offers.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Shares whose investments are registered in the name of a nominee to provide instructions to their nominee of their intentions with regard to the Share Offer.

6. ANNOUNCEMENT

- (a) By 6:00 p.m. on 18 June 2021 (or such later time and/or date as the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange’s website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether, amongst other information required under Rule 19.1 of the Takeovers Code, the Offers have been revised, extended, or have expired or have become or been declared unconditional.

The announcement must state the following:

- (i) the total number of Offer Shares for which acceptances for the Share Offer have been received;
- (ii) the total number of Options for which acceptances of the Option Offer have been received;
- (iii) the number of Shares and Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (iv) the total number of Shares and Options acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number or principal amount of Shares and Options represented by acceptances, only valid acceptances that are complete and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Closing Date shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

7. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Independent Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 6 of this appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders and the Optionholders who have tendered acceptance of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.
- (c) In such case, when any Independent Shareholder(s) and Optionholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s), and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares and the Options lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s) and to the company secretary of the Company for collection of such Optionholder(s).

8. SETTLEMENT OF THE OFFERS**The Share Offer**

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete in all respects and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder less seller's ad valorem stamp duty in respect of the Offer Shares tendered by it/him/her under the Share Offer will be despatched to such Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

No fractions of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

The Option Offer

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant letter(s) of grant in respect of the Option(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if any) are complete in all respects and have been received by the company secretary of the Company no later than the latest time for acceptance, a cheque for the amount due to each accepting holder of Options in respect of the Options tendered by it/him/her under the Option Offer will be despatched to such holder of Options by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days of the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

No fractions of a cent will be payable and the amount of consideration payable to an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

9. STAMP DUTY

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Share Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

10. OVERSEAS HOLDERS

The availability of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in a jurisdiction outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Holders should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

Any acceptance by the Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders to the Offeror that the local laws and requirements have been complied with. Such Overseas Holders should consult their respective professional advisers if in doubt.

11. TAXATION ADVICE

Independent Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or parties acting in concert with it, the Company, BOCOM (Asia), BOCOM Securities nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

12. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, share certificate(s), transfer receipts(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or Optionholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, its beneficial owners, the Company, BOCOM (Asia), BOCOM Securities, the Independent Financial Adviser, the Registrar or any of their respective directors and professional advisers or the company secretary of the Company, and any other parties involved in the Offers and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, BOCOM Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or the Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptances of the Offers by any Independent Shareholders or Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares or Options under the Offers (as the case may be) are free from all third party rights and Encumbrances whatsoever and together with all rights accruing or attaching thereto including in the case of the Shares, the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date of this Composite Document.
- (g) References to the Offers in this Composite Document and the Form(s) of Acceptance shall include any revision and/or extension thereof.

- (h) The making of the Offers to the Overseas Holders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Holders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Holder who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Holders shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties due by such Overseas Holders in respect of the relevant jurisdictions. The Overseas Holders are recommended to seek professional advice on deciding whether or not to accept the Offers.
- (i) Acceptances of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Company that the number of the Shares or Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Options held by such nominee for such beneficial owner who is accepting the Offers.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror, BOCOM (Asia), BOCOM Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders and Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer and the Option Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, BOCOM (Asia), BOCOM Securities or the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (l) The English texts of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.
- (m) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of (i) the audited financial results of the Group for each of three years ended 31 December 2020 as extracted from the published annual reports of the Company; and (ii) the unaudited consolidated quarterly financial results of the Group for the three months ended 31 March 2021 as extracted from the first quarterly report of the Company.

Results

	For the three months ended 31 March		For the year ended 31 December		
	2021	2020	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	74,259	72,239	382,955	64,556	6,034
Loss before income tax	(22,795)	(18,076)	(40,357)	(34,876)	(34,781)
Income tax (expenses) credit	–	288	(2,898)	105	–
(Loss)/profit for the year attributable to:					
– Owners of the Company	(17,199)	(17,622)	(46,767)	(33,618)	(34,087)
– Non-controlling interests	(5,596)	(166)	3,512	(1,153)	(694)
Total comprehensive (loss)/income for the year attributable to:					
– Owners of the Company	(4,433)	(24,442)	(31,261)	(44,678)	(36,323)
– Non-controlling interests	(5,886)	(172)	4,650	(1,217)	(318)
Basic and diluted loss per share (<i>HK cents</i>) (<i>Restated</i>)	(4.52)	(5.58)	(14.16)	(10.66)	(10.84)

Assets and liabilities

	As at 31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Non-current assets	318,869	194,232	29,571
Current assets	135,670	217,683	360,369
Current liabilities	41,593	67,445	18,788
Non-current liabilities	3,236	1,723	–
Total equity attributable to:			
– Owners of the Company	318,666	329,871	364,873
– Non-controlling interests	91,044	12,876	6,279

Notes:

- (1) There was no dividend declared by the Company for the three years ended 31 December 2018, 2019 and 2020.
- (2) There was no income tax expenses recorded for the year ended 31 December 2018. The Company recorded income tax credit of approximately HK\$105,000 and income tax expenses of approximately HK\$2,898,000 for the year ended 31 December 2020.
- (3) Save as disclosed below, there were no items of any income or expense which was material in respect of the consolidated financial results of the Group for each of the financial year ended 31 December 2018, 2019, and 2020:
 - (i) provision for impairment of equity investment at fair value through other comprehensive loss of HK\$10.1 million were recognised at the end of 2019; and
 - (ii) provision for impairment on investment in associates of HK\$5.8 million of Shenzhen BlueTech Network Technology Co., Ltd and HK\$1.9 million of Guangzhou Sentai Information Technology Co., Ltd according to the impairment test at the end of 2019.

The auditors of the Company for the three financial years ended 31 December 2018, 2019 and 2020 were ZHONGHUI ANDA CPA Limited. ZHONGHUI ANDA CPA Limited did not issue any qualified or modified opinion on the respective financial statements of the Group for the three years ended 31 December 2018, 2019 and 2020, respectively.

2. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, (i) consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); and (ii) the unaudited consolidated quarterly financial statements of the Group for the three months ended 31 March 2021 (the “**2021 First Quarterly Financial Statements**”), together with the significant accounting policies and the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out from page 65 to page 147 in the annual report for the financial year ended 31 December 2020 of the Company (available at www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001108.pdf), which was published on 30 March 2021.

The 2021 First Quarterly Financial Statements are set out from page 1 to page 5 in the quarterly report for the three months ended 31 March 2021 of the Company (available at <https://www1.hkexnews.hk/listedco/listconews/gem/2021/0513/2021051300335.pdf>), which was published on 13 May 2021.

3. INDEBTEDNESS

As at the close of business on 28 February 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

In accordance with requirements of HKFRS 16 “Leases”, leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligations) in the Group’s consolidated statement of financial position. As at 28 February 2021, the Group had lease liabilities of approximately HK\$6.04 million relating to land and premises leased by the Group as lessee.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 28 February 2021.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 28 February 2021 and up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and its intentions have been supplied by the Offeror.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those expressed by the Directors) expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

Save for the entering into of the Subscription Agreement and save as disclosed in the paragraph headed “Dealings and Interests in the Company’s Securities” in the “Letter from BOCOM Securities” of this Composite Document, the Offeror, directors of the offeror and parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) and those three individual Shareholders who have executed the Irrevocable Undertakings (including Ms. Mak Lam, Mr. Li Qi and Mr. Mei Siyuan, have not dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

Save for the Subscription Agreement, the Offeror confirms that, as at the Latest Practicable Date:

- (a) save as disclosed in the paragraph headed “Shareholding Structure of the Company” in this Composite Document, none of the Offeror, directors of the offeror and/or parties acting in concert with it owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options or derivatives of the Company;
- (b) save for the Irrevocable Undertakings, the Offeror and/or parties acting in concert with it have not received any irrevocable commitment to accept or not to accept the Offers;
- (c) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror and/or any person acting in concert with it;
- (d) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offers;
- (e) there is no agreement or arrangement to which the Offeror and/or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (f) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or parties acting in concert with it has borrowed or lent;

- (g) save for the consideration under the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any party acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) to the Company or any party acting in concert with it or any Shareholder;
- (h) save for the Irrevocable Undertakings, no person had irrevocably committed himself to accept or not to accept the Offers;
- (i) save for the Irrevocable Undertakings, there is no other understanding, arrangement or agreement in connection with the Offers or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) on the one hand, and the Company and any party acting in concert with it on the other hand; and
- (j) save for the Irrevocable Undertakings, the Increase in Voting Rights in the Offeror and the Good Luck Subscription, there is no other agreement, arrangement or understanding (including any compensation arrangement) in connection with the Offers or special deal (as defined under Rule 25 of the Takeovers Code) existing between (1) any Shareholder or recent Shareholder; and (2)(a) the Offeror and any party acting in concert with it (including Mr. Law, Ms. Zhang Jing, Ms. Huang Lilan, Mr. Yuan Qiang and Mr. Yan Hao) or (b) the Company, its subsidiaries or associated companies, or (c) any Directors or recent Directors;
- (k) none of the Offeror and/or parties acting in concert with it had borrowed or lent any Shares or convertible securities, warrants, options or derivatives of the Company;
- (l) there was no agreement, arrangement or understanding which may result in the Share or securities of the Company to be acquired under the Offers being transferred, charged or pledged to any other persons;
- (m) the Offeror had not entered into any agreement, arrangement, or understanding in relation to and/or will not transfer, charge or pledge any securities in the Company acquired pursuant to the Offers to any other person;
- (n) no benefit is or will be paid to any Directors as compensation for loss of office or otherwise in connection with the Offers;
- (o) save for the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependent on the Offers;
- (p) save for the Irrevocable Undertakings, no material contracts had been entered into by the Offeror in which any Director has a material personal interest;

- (q) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Offeror or any party acting in concert with any of them, and no such person had dealt in any Shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period; and
- (r) there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares (or other relevant securities of the Company) or the shares of the Offeror (or other relevant securities of the Offeror) which might be material to the Offers.

3. EXPERTS' QUALIFICATIONS AND CONSENTS

In addition to the Company's experts listed in paragraph 8 of Appendix IV, the following are the qualifications of the experts who have given opinion and advice, which is contained in this Composite Document:

Name	Qualification
BOCOM (Asia)	a corporation licensed by the SFC to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser of the Offeror in connection with the Offers
BOCOM Securities	a corporation licensed by the SFC to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror and BOCOM (Asia)

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion in this Composite Document of the text of its respective letter, reports or opinions, as the case may be, and references to its name in the form and context in which it respectively appears.

4. BACKGROUND OF THE NAME CHANGE

On 8 April 2021, the Offeror's shareholders passed the special resolution to change the English name of the Offeror to "BIT Mining Limited", effective as of 8 April 2021. The Offeror's new ticker symbol, "BTCM", became effective from 20 April 2021.

5. MISCELLANEOUS

As at the Latest Practicable Date,

- (a) The registered office of the Offeror is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

- (b) The registered office of BOCOM (Asia) is situated at 9/F Man Yee Building, 68 Des Voeux Road, Central, Hong Kong.
- (c) The registered office of BOCOM Securities is situated at 15/F Man Yee Building, 68 Des Voeux Road Central, Hong Kong.
- (d) The directors of the Offeror include Mr. Wu Shengwu, Mr. Yu Bo, Mr. Sun Qian, Mr. Law, Dr. Deng Honghui (independent director), Mr. Wei Yu (independent director) and Ms. Wong, Yan Ki Angel (independent director).
- (e) the English text of this Composite Document and the Acceptance Form(s) shall prevail over the Chinese text, in case of any inconsistency.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from 28 May 2021, being the date of this Composite Document for so long as the Offers remain open for acceptance, (i) on the website of the SFC (www.sfc.hk); (ii) on the website of the Company (www.lotoie.com); and (iii) during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the head office and principal place of business of the Company, at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the “Letter from BOCOM Securities”, the text of which is set out in this Composite Document; and
- (c) the written consents referred to in the paragraph headed “3. Experts’ Qualifications and Consents” in this Appendix

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$65,000,000 divided into 650,000,000 Shares of HK\$0.10 each. The number of issued and paid-up Shares of the Company as at the Latest Practicable Date was 548,378,822 Shares.

All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital, dividends and voting. The Shares are listed on the GEM of the Stock Exchange and no Shares are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

The number of Shares in issue as at 31 December 2020, being the date to which the latest audited financial statements of the Company were made up, was 379,023,983. On 31 March 2021, the Company allotted and issued 169,354,839 Shares to the Offeror pursuant to the Subscription Agreement upon Subscription Completion. Save as disclosed, no other new Shares have been issued by the Company since 31 December 2020 until the Latest Practicable Date.

As at the Latest Practicable Date, save for the Options granted by the Company pursuant to the Share Option Scheme, under which 38,903,600 Options remain outstanding, the Company has no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares. Other than the outstanding Options, there were no options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares. The details of the outstanding Options under the Share Option Scheme are set out below:

Date of grant	Exercise price per Share	Outstanding as at the Latest Practicable Date
10 August 2020	HK\$0.26	24,860,000
1 April 2019	HK\$1.10 (<i>Note</i>)	13,643,600
5 January 2018	HK\$2.00 (<i>Note</i>)	400,000

Note: As a result of the share consolidation which took effect on 28 May 2020, the exercise price per share of Options granted on 1 April 2019 and 5 January 2018 was adjusted from HK\$0.11 to HK\$1.10 and from HK\$0.2 to HK\$2.00, respectively.

3. MARKET PRICE

The table below shows the closing price of the Shares quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the last Business Day immediately preceding the date of the Joint Announcement; and (c) the Latest Practicable Date.

Date	Closing price of Shares (HK\$)
31 July 2020	0.270
31 August 2020	0.305
30 September 2020	0.400
30 October 2020	0.620
30 November 2020	0.720
31 December 2020	0.700
27 January 2021 (Last Trading Day and last Business Day immediately preceding the date of the Joint Announcement)	0.690
29 January 2021	0.800
26 February 2021	1.060
31 March 2021	0.820
30 April 2021	0.740
25 May 2021 (Latest Practicable Date)	0.600

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$1.60 on 16 February 2021 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.23 on 25 August 2020.

4. DISCLOSURE OF INTEREST

(a) Interests and short positions of the Directors and chief executive

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which were (i) 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 positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or (iii) required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rule, to be notified to the Company and the Stock Exchange, or (iv) required to be disclosed under the Takeovers Code:

Long Positions in the Shares and underlying Shares

(i) Ordinary shares of the Company

Name of Director	Number of Shares held (Note 2)	Approximate percentage of total issued Shares of the Company (Note 1)
Ms. Zhang Jing (Note 3)	137,200	0.03%

(ii) Options granted by the Company

Name of Director	Number of underlying Shares held pursuant to the Options (Notes 2 and 4)	Approximate percentage of total issued Shares of the Company (Note 1)
Ms. Zhang Jing (Note 3)	3,566,800	0.65%
Mr. Yan Hao (Note 3)	3,300,000	0.60%
Ms. Huang Lilan (Note 3)	2,000,000	0.36%
Mr. Yuan Qiang (Note 3)	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:

1. As at the Latest Practicable Date, the total number of issued Shares of the Company was 548,378,822.
2. This represents interests held by the relevant Director as beneficial owner.
3. Given each of Ms. Zhang Jing, Ms. Huang Lilan and Mr. Yuan Qiang holds positions in the Subscriber and that Mr. Yan Hao is an executive Director who has a close working relationship with the aforementioned Directors and is privy to the discussion and negotiation of the Subscription with the Offeror, they are presumed to be parties acting in concert with the Offeror.
4. Details of the Options held by each Director are as follow:

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 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
Mr. Yan Hao	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
	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
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

(b) Long Positions in the shares and underlying shares of the Offeror

(i) ADS of Offeror

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

(ii) ADS Options

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 the Offeror (Note 1)
Ms. Zhang Jing	30,000	0.05%
Ms. Huang Lilan	12,333	0.02%

Notes:

1. As at the Latest Practicable Date, the total number of issued and outstanding shares of the Offeror was 56,004,190.
2. This represents interests held by the relevant Director as beneficial owner.
3. 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	7,333	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 had, or were deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which were (i) 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 positions which they were taken or deemed to have under such provisions of the SFO), or (ii) required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or (iii) required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rule, to be notified to the Company and the Stock Exchange, or (iv) required to be disclosed under the Takeovers Code.

(c) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares 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 was, 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:

Long Positions in the Shares

Name	Capacity	Number of shares held	Approximate percentage of issued share capital of the Company (Note 1)
The Offeror	Beneficial owner	297,226,271	54.20%
Mr. Law	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:

1. As at the Latest Practicable Date, the total number of issued shares of the Company was 548,378,822.
2. Mr. Law, by himself and through his controlled corporations, held 59.0% of the aggregate voting rights of the Offeror and was the shareholder with the most voting rights in the Offeror as at the Latest Practicable Date. He was also interested in 184,000 Shares in the capacity of beneficial owner.
3. 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 the Offeror 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.

5. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

- (a) save for Ms. Zhang Jing, Ms. Huang Lilan Mr. Yuan Qiang (the details of their interests are more set out in the paragraph headed “4. Disclosure of Interest” above), none of the Company nor any of the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (b) none of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (c) save for the Irrevocable Undertakings, no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code;
- (d) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (e) (i) each of Ms. Zhang Jing (holder of 137,200 Shares and 3,566,800 Options), Mr. Yan Hao (holder of 3,300,000 Options), Ms. Huang Lilan (holder of 2,000,000 Options) and Mr. Yuan Qiang (holder of 6,200,000 Options) has given the Irrevocable Undertakings pursuant to which they have irrevocably undertaken not to accept the Share Offer or the Option Offer, (ii) Dr. Lu Haitian, an independent non-executive Director who held 400,000 Options, intended to accept the Option Offer; (iii) Mr. Lin Sen, an independent non-executive Director who held 400,000 Options, intended to reject the Option Offer; (iv) Mr. Huang Jian, an independent non-executive Director who held 200,000 Options, intended to reject the Option Offer; and (v) Mr. Wang Bingzhong, a former Director who held 6,200,000 Options, intended to accept the Option Offer; Save as disclosed, none of the Directors was interested in any shares of the Company or any convertible securities, warrants, options or derivatives in respect of any shares of the Company;
- (f) none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares;
- (g) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

- (h) save for the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (i) there was no material contracts entered into by the Offeror in which any Director has a material personal interest.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the Relevant Period:

- (a) Save for the below, none of the Directors or companies owned or controlled by them had dealt for value in any Shares, options, derivatives, warrants or other securities convertible into the Shares or other types of equity interest in the Company:

- (i) On 10 August 2020, the Company cancelled a total of 7,900,000 Options with an exercise price of HK\$2.00 per Share granted to the following Directors or former Director in accordance with the terms of the Share Option Scheme:

Ms. Zhang Jing	100,000
Mr. Wang Bingzhong (a former Director who had resigned with effect from 31 October 2020)	3,100,000
Ms. Huang Lilan	1,000,000
Mr. Yuan Qiang	3,100,000
Dr. Lu Haitian	200,000
Mr. Lin Sen	200,000
Mr. Yan Hao	200,000

- (ii) On 10 August 2020, the Company granted a total of 14,000,000 Options with an exercise price of HK\$0.26 per Share to the following Directors or former Director:

Ms. Zhang Jing	3,100,000
Mr. Wang Bingzhong (a former Director who had resigned with effect from 31 October 2020)	3,100,000
Ms. Huang Lilan	1,000,000
Mr. Yuan Qiang	3,100,000
Dr. Lu Haitian	200,000
Mr. Lin Sen	200,000
Mr. Huang Jian	200,000
Mr. Yan Hao	3,100,000

- (b) Save for the below, none of the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror:

Date of dealing	Name of Director	Nature of dealing	Number of shares or underlying shares of the Offeror involved	Average price per Share (Approximate US\$)	Aggregate consideration (Approximate US\$)
17 February 2021	Mr. Yuan Qiang	Sale of shares	26,667	30.91	824,178
12 March 2021	Ms. Zhang Jing	Exercise of options	19,200	2.00	38,400
12 March 2021	Ms. Zhang Jing	Sale of shares	19,200	22.00	422,400
17 March 2021	Ms. Huang Lilan	Exercise of options	192	10.00	1,920
17 March 2021	Ms. Huang Lilan	Sale of shares	192	25.00	4,800
19 March 2021	Ms. Huang Lilan	Exercise of options	500	10.00	5,000
19 March 2021	Ms. Huang Lilan	Sale of shares	500	25.00	12,500
20 May 2021	Ms. Huang Lilan	Exercise of options	667	10.00	6,670
20 May 2021	Ms. Huang Lilan	Sale of shares	667	11.77	7,853.9
21 May 2021	Ms. Huang Lilan	Exercise of options	1,808	10.00	18,080
21 May 2021	Ms. Huang Lilan	Sale of shares	1,808	11.42	20,642

- (c) none of the subsidiaries of the Company or any pension funds of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (e) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. DIRECTORS’ SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within six months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or

(iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Director	Position	Term of service contract	Amount of remuneration
Mr. Yan Hao	Chief Executive Officer	1 September 2020 to 31 August 2023	HK\$1,500,000 per annum, with discretionary bonus payment in such amount and payable at such time as shall be determined by the Board and the remuneration committee in absolute discretion
	Executive Director	1 September 2020 to 31 August 2023	HK\$250,000 per annum
Ms. Huang Lilan	Chief Finance Officer	3 November 2020 to 2 November 2023	HK\$250,008 per annum, with discretionary bonus payment in such amount and payable at such time as shall be determined by the Board and the remuneration committee in absolute discretion
	Executive Director	23 March 2021 to 22 March 2024 (Note)	HK\$250,000 per annum
Mr. Huang Jian	Independent non-executive Director	7 August 2020 to 6 August 2022	HK\$250,000 per annum

Note: The original term of the appointment was from 23 March 2018 to 22 March 2021, which has automatically renewed for a consecutive term of 3 years.

8. EXPERT'S QUALIFICATION AND CONSENT

In addition to the Offeror's experts listed in paragraph 3 of Appendix III to this Composite Document, the following is the qualifications of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

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 did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were 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 its respective written consent to the issue of this Composite Document with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

9. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) have been entered into by the members of the Group within two years immediately preceding the date of commencement of the Offer Period up to and including the Latest Practicable Date and which are or may be material:

- (a) the joint venture agreement entered into between the Purchaser and 深圳誠佑科技有限公司 (Shenzhen Chengyou Technology Co., Ltd.) (the “**Seller A**”) on 14 June 2019 relating to the formation of a joint venture company in which the Purchaser shall beneficially own 51% by contributing RMB76,500,000 to its registered capital and the Seller A shall beneficially own 49% by contributing RMB73,500,000 to its registered capital;
- (b) the convertible note agreement entered into between the Purchaser and 深圳芯行科技有限公司 (Shenzhen Chipchain Technologies Co., Ltd.) (the “**Debtor**”) on 19 June 2019, pursuant to which the Purchaser agreed to grant to the Debtor, a note in the principal amount of RMB10,000,000 for a term of six months, during which the Purchaser is entitled to convert the note into 3.33% of the equity interest in the Debtor;
- (c) the joint venture agreement entered into between Interactive Lab Limited (“**Interactive Lab**”), a wholly-owned subsidiary of the Company, and Bee Computing (HK) Limited (“**Bee Computing**”) on 23 January 2020 relating to the formation of a joint venture company, in which Interactive Lab shall beneficially own 51% by contributing US\$2,000,000 to its total share capital and Bee Computing shall beneficially own 49% by contributing US\$1,922,000 to its total share capital in the form of contribution of technology;
- (d) the placing agreement entered into between the Company and Founder Securities (Hong Kong) Limited (the “**Placing Agent**”) on 24 September 2020, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best efforts basis, up to 63,168,000 Shares to not less than six independent placees at the placing price of HK\$0.26 per Share;
- (e) the repurchase agreement entered into between Interactive Lab and Bee Computing on 12 January 2021, pursuant to which Bee Computing shall repurchase the shares of Happy Technology Limited held by Interactive Lab, being 51% of the entire issued share capital of Happy Technology Limited, at the total repurchase price in the amount of US\$2 million;
- (f) the Subscription Agreement; and
- (g) the Acquisition Agreement.

11. MISCELLANEOUS

- (a) As at the Latest Practicable Date, 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) As at the Latest Practicable Date, 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) As at the Latest Practicable Date, the registered office of Octal Capital Limited is at 801-805 8/F Nan Fung Tower, 88 Connaught Road Central, Central, Hong Kong.
- (d) The English texts of this Composite Document and the Forms of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents available for inspection relating to the Offeror listed in paragraph 5 of Appendix III to this Composite Document, copies of the following documents are available for inspection, during the period from 28 May 2021, being the date of this Composite Document for so long as the Offers remain open for acceptance, (i) on the website of the SFC (www.sfc.hk); (ii) on the website of the Company (www.lotoie.com); and (iii) during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the head office and principal place of business of the Company, at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2019 and 31 December 2020 and the first quarter report of the Company for the three months ended 31 March 2021;
- (c) the “Letter from the Board”, the text of which is set out in this Composite Document;
- (d) the “Letter from the Takeovers Code Independent Board Committee”, the text of which is set out in this Composite Document;
- (e) the “Letter from the Independent Financial Adviser”, the text of which is set out in this Composite Document;
- (f) the Directors’ Service Contracts referred to in the paragraph headed “Directors’ Service Contracts” in paragraph 7 of this Appendix;
- (g) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in paragraph 8 of this Appendix;
- (h) each material contract referred to in the paragraph headed “Material Contracts” in paragraph 10 of this Appendix; and
- (i) the Irrevocable Undertakings.