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乐透互娱
LOTO INTERACTIVE

Loto Interactive Limited

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

DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE

THE JV AGREEMENT

The Board is pleased to announce that on 23 January 2020 (after trading hours), Interactive Lab, a wholly-owned subsidiary of the Company, and the JV Partner entered into the JV Agreement relating to the formation of the JV Company, which is proposed primarily to be engaged in the development and operation of the Project.

Pursuant to the JV Agreement, the JV Company will have a total share capital of US$3.922 million, which will be beneficially owned as to approximate 51% by Interactive Lab and approximate 49% by the JV Partner. Interactive Lab will contribute a total amount of US$2 million in the form of cash which will be funded by the Group's internal resources. The JV Partner will contribute a total amount of US$1.922 million in the form of contribution of technology.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as set out in Rule 19.07 of the GEM Listing Rules) for the capital commitment payable by the Group in respect of the JV Agreement exceed 5% but all are less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 23 January 2020 (after trading hours), Interactive Lab, a wholly-owned subsidiary of the Company, and the JV Partner entered into the JV Agreement relating to the formation of the JV Company, which is proposed primarily to be engaged in the development and operation of the Project.

THE JV AGREEMENT

Date: 23 January 2020

Parties: (i) Interactive Lab; and

(ii) the JV Partner.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the JV Partner and its ultimate beneficial owners is an Independent Third Party.

Principal Business of the JV Company and Term of Operation

The principal business of the JV Company shall be development and operation of the Project. The Project includes the development of technology in relation to one type of blockchain supercomputing chip to be developed pursuant to the JV Agreement and the production of related application devices. The term of operation of the JV Company is ten years from 23 January 2020 to 22 January 2030, which may be extended upon unanimous consent of all the then shareholders of the JV Company.

Capital Contribution

Pursuant to the JV Agreement, the JV Company will have a total share capital of US$3.922 million, which shall be contributed by the parties as follows:-

	Amount *(US$)*	**Proportion** *(approx. %)*
Interactive Lab (in the form of cash)	2,000,000	51
JV Partner (in the form of contribution of technology)	1,922,000	49
Total	3,922,000	100

Interactive Lab shall pay its capital contribution amount to the JV Partner within seven days of the entering into the JV Agreement. The JV Partner may apply such capital contribution amount to the expenses and investment in relation to the Project on behalf of the JV Company. Within five days after the JV Company opens its own bank account, the JV Partner shall transfer all the remaining capital contribution amount paid by Interactive Lab to the JV Company. The JV Partner shall also assign all the developing product orders in respect of the Project and deliver all the development expenses already incurred in respect of the Project to the JV Company.

The JV Partner shall make its capital contribution amount to the JV Company in the form of contribution of technology, including the Technology and the Devices. The JV Partner shall complete the development of the Technology within six months of the JV Agreement and deliver the Devices within three months after completion of the development of the Technology. The JV Company will acknowledge the JV Partner's capital contribution and register the JV Partner as a shareholder after verification and acceptance of the Devices. The JV Company shall have the exclusive right to sell and distribute the Devices. The JV Partner shall not engage in any business in competition with the sales and distribution of the Devices and shall not produce, sell, agree to sell, license, transfer, gift or otherwise deal with the Technology or the Devices. In the event that the JV Partner needs to use the Technology or produce the Devices, the JV Partner shall obtain licence in writing from the JV Company and shall pay a licensing fee to the JV Company, which is to be agreed mutually later.

Interactive Lab's contribution to the JV Company will be funded by the Group's internal resources. The JV Company will be treated as a subsidiary in the financial statements of the Company.

The respective contribution to the share capital of the JV Company is determined after arm's length negotiations between the JV Partner and Interactive Lab by reference to the initial working capital requirement for development of the Technology and the Devices and the estimated valuation of the Technology and the Devices upon completion of the Project.

Organisation Structure of the JV Company

Pursuant to the JV Agreement, (i) the JV Partner will be entitled to appoint two directors and Interactive Lab will be entitled to appoint three directors to the JV Company; (ii) Interactive Lab is entitled to appoint the chairman of the board of JV Company; (iii) one general manager shall be designated by Interactive Lab and appointed by the director of the JV Company.

Transfer Restriction

Unless approved by the shareholders of the JV Company at a general meeting, any shareholder of the JV Company shall not transfer or pledge all or part of the shares of the JV Company or otherwise create any encumbrances over such shares. Any transfer of shares between the shareholders of the JV Company shall be approved by simple majority at the general meeting of the JV Company.

Right of Repurchase

In the event of any breach of the JV Agreement, the constitutional document of the JV Company and any resolutions of the shareholders and/or directors of the JV Company and the defaulting party failing to remedy such breach within one month upon request of the non-defaulting party, the non-defaulting party shall be entitled to request the defaulting party to purchase all or part of the shares held by the non-defaulting party at an annualised interest of 10% on the respective investment amount (less any paid dividend to the non-defaulting party by the JV Company, if any).

INFORMATION ON THE JV PARTNER

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT

The Group is principally engaged in (i) provision of data analysis and storage services; (ii) distribution of mobile gaming; and (iii) trading of lottery terminals and parts and the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the PRC, namely the China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre.

Interactive Lab is a company dedicated in exploring cutting-edge technologies and applications, including games, e-sports, virtual reality an augmented reality technologies and blockchain technology (the "**Potential New Business**"). The Directors consider that the cooperation between Interactive Lab and the JV Partner will strengthen the technology development capabilities of the JV Company and broaden its business network in the blockchain-related technology and applications industry. The JV Company could provide an opportunity to the Company to further explore the Potential New Business.

The Directors consider that the terms and conditions of the JV Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

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

DEFINITIONS

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

"Board"	the board of Directors
"Company"	Loto Interactive Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on the GEM of the Stock Exchange
"Devices"	the devices developed and produced using the Technology to the satisfaction of the JV Company pursuant to the JV Agreement
"Director(s)"	Director(s) of the Company
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
"Group"	the Company and its subsidiaries from time to time

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
"Interactive Lab"	Interactive Lab Limited, a wholly-owned subsidiary of the Company
"JV Agreement"	the joint venture agreement dated 23 January 2020 entered into between Interactive Lab and the JV Partner in relation to the formation of the JV Company
"JV Company"	a company to be incorporated in the Cayman Islands, held as to approximately 51% by Interactive Lab and approximately 49% by the JV Partner
"JV Partner"	Bee Computing (HK) Limited, a company incorporated in Hong Kong, an Independent Third Party
"PRC"	the People's Republic of China which, for the purposes of this announcement, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Project"	the blockchain supercomputing project including the development of the Technology and the Devices
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technology"	the technology in relation to blockchain supercomputing chip to be developed by the JV Partner pursuant to the JV Agreement
"U.S."	the United States
"US$"	U.S. dollar(s), the lawful currency of the United States
"%"	per cent.

By Order of the Board
Loto Interactive Limited
Wang Bingzhong
Chief Executive Officer and Executive Director

Hong Kong, 23 January 2020

As at the date of this announcement, the Board of Directors comprises Ms. Zhang Jing[*] (Chairman), Mr. Wang Bingzhong[#] (Chief Executive Officer), Ms. Huang Lilan[#], Mr. Yuan Qiang[*], Dr. Lu Haitian[+], Mr. Yan Hao[+] and Mr. Lin Sen[+].

[#] *Executive Director*
[*] *Non-executive Director*
[+] *Independent Non-executive Director*

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.lotoie.com.