



乐透互娱
LOTO INTERACTIVE

Loto Interactive Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8198)

www.lotoie.com



2021 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Zhang Jing* (*Chairman*)
Mr. Yan Hao# (*Chief Executive Officer*)
Ms. Huang Lilan#
Mr. Yang Xianfeng*
Dr. Lu Haitian+
Mr. Lin Sen+
Mr. Huang Jian+

Executive Director

* *Non-executive Director*

+ *Independent Non-executive Director*

AUDIT COMMITTEE

Mr. Lin Sen (*Chairman*)
Mr. Yang Xianfeng
Dr. Lu Haitian

REMUNERATION COMMITTEE

Mr. Huang Jian (*Chairman*)
Mr. Yang Xianfeng
Mr. Lin Sen

NOMINATION COMMITTEE

Ms. Zhang Jing (*Chairman*)
Dr. Lu Haitian
Mr. Huang Jian

COMPLIANCE OFFICER

Mr. Yan Hao

COMPANY SECRETARY

Ms. Chow Chiu Man, Mandy

AUTHORISED REPRESENTATIVES

Mr. Yan Hao
Ms. Chow Chiu Man, Mandy

REGISTERED OFFICE

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AUDITOR

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LEGAL ADVISORS

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PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch
China Merchants Bank, Shenzhen Branch

STOCK CODE

The Stock Exchange of Hong Kong Limited: 8198

WEBSITE

www.lotoie.com

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of Loto Interactive Limited (the "Company"), I hereby present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 (the "Year").

The Group saw ups and downs in 2021. During the first half of the year, the Group continued to leverage on its strengths to vigorously develop its big data centres, and strived to become the industry benchmark of big data centre services in terms of scale, regulatory qualifications, stability of power systems and environmental protection. In recent years, the Group has constructed three big data centres with relevant qualifications in Sichuan, the People's Republic of China (the "PRC"), with a gross area of over 18,000 square metres, to provide comprehensive services to our customers such as the provision of premises, hardware support, power supply, ancillary supervision and management services, which attracted a stable clientele mainly engaged in the cryptocurrency mining business. The Group has achieved excellent milestones with its future prospects well-recognised by its major shareholder, BIT Mining Limited (New York Stock Exchange under the ticker symbol "BTCM"), which subscribed for a total of approximately 169 million shares of our Company at a total cash consideration of HK\$105 million, the subscription of which was completed on 31 March 2021, making Loto Interactive Limited as its subsidiary.

2021 Review

In order to actively comply with various national regulatory requirements, the Group ceased the operation of its three big data centres in Sichuan in mid-2021. The cessation of operations did have an adverse impact on the Group's revenue in the short term, which in turn affected the Group's operating results. Nevertheless, the Company has formulated its domestic and overseas development strategies in the second half of 2021 in a timely manner. The Group completed the construction of a new big data centre in Hong Kong with a maximum processing capacity of approximately 1,400 kilowatt hours, which officially commenced operation in October 2021.

Prospect

In view of the favourable development trend of virtual assets in the world and the clearer regulatory framework, the Board is actively exploring the development of big data centres in other regions such as North America in line with the Group's overall development strategy, in order to seize the opportunity to meet market demand and expand our big data centre business. In addition, the Group has leased the previously purchased data processors to independent third parties to generate rental income. Upon securing stable power source elsewhere for its big data centre business in the future, the Group may also diversify its business by tapping into the realm of proprietary cryptocurrency mining business.

The raging COVID-19 pandemic and international geopolitical instability have severely disrupted the global economy and reshaped the landscape of various industries. To navigate through this challenging and uncertain time, extra effort is required from each and all of us. Despite the uncertainties in the global economic and political environment, we are confident in our future development. As the old saying goes, those who carry heavy responsibility do not stop until they succeed. In order to maximise long-term value for our shareholders, the Group will continue to experiment and innovate, tackle different challenges and adversities with strengthened abilities, and promote the sustainable development of our businesses with a long-term perspective.



CHAIRMAN'S STATEMENT

IN APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our shareholders, customers and business partners for their continuing support and confidence in the Company. As to my fellow Board members, management team and all staff, I wish to express my heartfelt appreciation for their hard work and valuable contributions. Looking forward, we will continue to forge ahead by constantly exploring new growth drivers with concerted efforts and strive to achieve the goal of long-term and sustainable development.

Zhang Jing

Chairman

Hong Kong, 23 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the provision of data analysis and storage services (the “Big Data Centre Services”), (ii) data processors leasing services (the “Data Processors Leasing Services”) and (iii) money lending business in Hong Kong (the “Money Lending Business”).

Big Data Centre Services

The Group operates big data centres to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to our clients.

As disclosed in the announcement of the Company dated 18 October 2021 and 8 March 2022 (the “Business Update and Profit Warning Announcement”), the Group’s three big data centre in Sichuan Province, the PRC, which were operated by Chengdu Keying Interactive Information Technology Limited (成都科盈互動信息科技有限 公司) (“Chengdu Keying”), Ganzi Changhe Hydropower Consumption Service Co., Ltd. (甘孜州長河水電消納服務 有限公司) (“Changhe Hydropower”) and Sichuan Lecai Yuntian Network Technology Co., Ltd. (四川省樂彩雲天網 絡科技有限 公司) (“Lecai Yuntian”) will be closed. The Company has made provision of impairment of fixed assets caused by the Group’s plan to demolish the said machinery and equipment.

During the Year, the Company, through Brighten Express Limited, a wholly-owned subsidiary of the Company, and Capital Management LLP (the “JV Partner”) entered into a shareholders agreement and a supplemental agreement to the shareholders agreement relating to the formation of a joint venture company (the “JV Company”) with the total investment amount of not more than US\$4 million (equivalent to approximately HK\$31.09 million), which was to be beneficially owned as to approximately 51% by Brighten Express Limited and approximately 49% by Capital Management LLP. The principal business of the JV Company was to be construction and operation of the project (the “Project”) which involves the construction of the infrastructure (including facility centres and equipment) and operation of a big data centre in Kazakhstan. Due to the political unrest and the unstable supply and price of electricity that have persisted in western Kazakhstan, Brighten Express Limited and the JV Partner have decided and agreed to terminate the Project in March 2022. The formation of the joint venture and the termination of the aforementioned Project shall hereinafter be referred to as the “Kazakhstan JV”.

Notwithstanding the foregoing and in order to maximize the benefit and interest for the Group and our shareholders as a whole, the Group has further developed the Group’s business in the Big Data Centre Services by constructing new big data centres in Hong Kong and overseas. The new big data centre in Hong Kong, with a maximum processing capacity of approximately 1,400 kWh, has completed in November 2021. Moreover, the Group is also exploring the possibility of establishing big data centres in the region with abundant and stable supply of electricity, such as North America.

During the Year, the Big Data Centre Services generated a revenue of approximately HK\$176.2 million which contributed to 97.5% of the Group’s revenue, representing a significant decrease as compared to the corresponding year in 2020, which was primarily due to the suspension of power supply to the above three big data centres in Sichuan, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Data Processors Leasing Services

The Group has purchased 1,807 data processors in 2021 and started leasing the same to independent third parties in Kazakhstan from October 2021. As disclosed in the Company's third quarter results for the nine-month period ended 30 September 2021, the Group kickstarted its expansion into the business of proprietary cryptocurrency mining at that material time. However, during the third quarter of 2021, the cryptocurrency mining business generated a revenue of approximately HK\$0.1 million, the performance of which was less satisfactory as a result of the great volatility in the currency prices of cryptocurrencies. Accordingly, during the Year, the Board decided not to continue its expansion into the business of proprietary cryptocurrency mining. The Group has leased the previously purchased 1,807 data processors, which were originally purchased for the cryptocurrency mining business and had later been leased to independent third parties to generate rental income. Due to the political turmoil and power outage in Kazakhstan, our customers' businesses were adversely affected. After liaising with our customers, the Group agreed to temporarily waive their rental fees for renting the Group's data processors during the power outages and until the power supply is restored.

During the Year, Data Processors Leasing Services generated a revenue of approximately HK\$1.2 million.

Money Lending Business

In order to leverage our corporate expertise and resources to broaden our income sources, an indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license in January 2020. On 3 April 2020, a loan in the principal amount of HK\$30 million for a term of 24 months at an interest rate of 10% per annum, was granted to an independent third party, which contributed a revenue of approximately HK\$3 million for the Year.

FINANCIAL REVIEW

During the Year, the Group is engaged in three operating segments which are (1) Big Data Centre Services; (2) Data Processors Leasing Services; and (3) Money Lending Business. The Group recorded a total revenue of approximately HK\$180.7 million (2020: HK\$383.0 million), representing a significant decrease of HK\$202.3 million, which comprised the following:

(1) Big Data Centre Services

Revenue contributed by the Big Data Centres Services in the provision of data analysis, storage services and ancillary administrative and consulting services amounted to approximately HK\$176.2 million for the Year, representing a decrease of HK\$203.5 million as compared to the corresponding year in 2020 (2020: HK\$379.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Data Processors Leasing Services

Revenue generated from Data Processors Leasing Services amounted to approximately HK\$1.2 million for the Year. (2020: Nil.)

(3) Money Lending Business

Revenue generated from the Money Lending Business amounted to approximately HK\$3.0 million for the year, representing an increase of HK\$0.7 million as compared to the corresponding year in 2020 (2020: HK\$2.3 million).

Operating Results

The Group recorded a loss of approximately HK\$292.3 million for the Year, representing an increase of HK\$249.0 million or 575.1% as compared to a loss of HK\$43.3 million for the corresponding year in 2020, which was mainly attributable to the combined effect of:

- (i) decrease in gross profit of approximately HK\$54.5 million of the Big Data Centre Services which was due to the suspension from power supply to the three big data centres from June 2021;
- (ii) increase in the provision of impairment of fixed assets of approximately HK\$212.4 million which was due to the Group's plan to close the three big data centres, operated by Chengdu Keying, Changhe Hydropower and Lecai Yuntian;
- (iii) increase in the impairment of goodwill in respect of our big data centre businesses of approximately HK\$11.9 million;
- (iv) offset by the decrease in staff cost of approximately HK\$5.0 million which was attributable to the decreased number of employees due to suspension of the big data centres;
- (v) offset by the decrease in operating expenses related to the Big Data Centre Services of approximately HK\$5.3 million which was mainly due to the decrease of one-off initial formation expenses related to the big data centre, which was operated by Changhe Hydropower; and
- (vi) offset by the decrease in amortisation associated with acquired intangible assets of approximately HK\$5.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

Disposal of a non-wholly owned subsidiary

During the Year, Interactive Lab Limited (a wholly-owned subsidiary of the Company) and Bee Computing (HK) Limited (“Bee Computing”) entered into a repurchase agreement, pursuant to which Bee Computing repurchased the shares of a joint venture company held by Interactive Lab Limited at the total repurchase price of US\$2 million (the “Repurchase”). The consideration for the Repurchase has been fully settled by Bee Computing and the aforementioned joint venture company has ceased to be a subsidiary of the Company in April 2021.

Acquisition of the equity interest of Changhe Hydropower

During the Year, Loto Interactive Information Technology (Shenzhen) Limited (樂透互娛信息技術(深圳)有限公司) (the “Purchaser”), a wholly-owned subsidiary of the Company, and Shenzhen Chengyou Technology Co., Ltd. (深圳市誠佑科技有限公司) and Mr. Guo Xiaoquan (郭筱荃) (collectively, the “Sellers”) entered into an acquisition agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Sellers conditionally agreed to sell an aggregate of 49% equity interest of Changhe Hydropower (for a cash consideration of RMB88.2 million (equivalent to approximately HK\$104.4 million) (the “Acquisition Consideration”) (the “Acquisition”). Completion of the Acquisition was conditional upon the satisfaction or waiver (as the case may be) of several conditions. The Acquisition has been completed on 31 March 2021.

Save for the aforementioned Kazakhstan JV, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the Year. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

ADDITION TO PROPERTY, PLANT AND EQUIPMENT

During the Year, the Company has purchased 1,807 data processor, which were originally purchased for cryptocurrency mining business and had later been leased to independent third parties to generate rental income. The data processors have been placed in Hong Kong and Kazakhstan. As at 31 December 2021, the Group is of a net asset position with property, plant and equipment of approximately HK\$43.1 million (2020: HK\$263.3 million).

LOAN RECEIVABLES

An indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender’s license in January 2020. On 3 April 2020, the Group entered into a loan agreement (the “Loan”) with an independent third party, Bright Topper Limited (the “Borrower”), in the principal amount of HK\$30,000,000 at the interest rate of 10% per annum for a term of two years. Interests for the first 12 months shall be repaid in the first year and the principal amount and interests for remaining period shall be repaid on or before the maturity date. The repayment of the Loan was guaranteed by the director and the sole beneficial owner of the Borrower.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2021, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK\$35.8 million (2020: HK\$44.3 million), representing a decrease of HK\$8.5 million as compared to that as at 31 December 2020. As at 31 December 2021, about 75.9% (2020: 45.1%) of the cash and cash equivalents was denominated in Renminbi, with the remaining balance in United States dollars and Hong Kong dollars. The decrease in cash and bank balances was mainly due to the initial construction expenses related to the big data centre in Hong Kong.

As at 31 December 2021, the Group's current assets exceeded its current liabilities by HK\$88.8 million (2020: HK\$94.1 million). The Group had a capital surplus of HK\$137.0 million as at 31 December 2021 (2020: HK\$409.7 million).

The Group had no bank borrowings in 2021 (2020: Nil) and generally finances its operations with internal resources.

During the Year, the Company and BIT Mining Limited, the controlling shareholder of the Company, entered into a subscription agreement on 28 January 2021, pursuant to which BIT Mining Limited conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue an aggregate of 169,354,839 ordinary shares (the "Subscription Shares") of the Company at the subscription price of HK\$0.62 per share (the "Subscription") to BIT Mining Limited, to finance the payment of the Acquisition Consideration. Based on the nominal value of HK\$0.1 per share of the Company, the aggregate nominal value of the Subscription Shares is HK\$16,935,483.90.

The closing market price of the Subscription Shares, as quoted on the Stock Exchange on 27 January 2021, being the date on which the terms of the Subscription were fixed was HK\$0.69 per Subscription Share. The gross and net issue price per Subscription Share from the Subscription was approximately HK\$0.62 and HK\$0.61, respectively.

The gross proceeds of the Subscription were approximately HK\$105.0 million. The net proceeds of the Subscription were estimated to be approximately HK\$100.6 million after deducting all related professional fees and other related expenses. The acquisition was completed on 31 March 2021 and the Company had utilised all net proceeds from the Subscription to finance the Acquisition Consideration as intended.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Company is actively exploring the development of big data centres in other regions such as North America in line with the Group's overall development strategy, in order to seize the opportunity to meet market demand and expand our big data centre business. In addition, the Group has leased the previously purchased data processors to the independent third parties to generate rental income. Upon securing stable power sources elsewhere for its big data centre business in the future, the Group may also diversify its business by tapping into the realm of proprietary cryptocurrency mining business. In addition, in the new and changing business environment, we will continue to pursue improvement, adhere to the spirit of innovation, closely monitor changes in policies and market conditions, leverage our core experience and corporate resources to seek new opportunities in pursuit of the long-term benefits for the Group and our shareholders as a whole.

CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as of 31 December 2021 and 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2021 and 2020, all assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollars and United States dollars. Since the impact to foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

STAFF AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 24 employees (2020: 98). For the year ended 31 December 2021, total Directors' emoluments were approximately HK\$4.3 million (2020: HK\$7.0 million), including non-cash share-based payments to the Directors of approximately HK\$0.7 million in 2021 (2020: HK\$2.5 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employee benefits such as mandatory provident fund, medical insurance, staff training programs and share option schemes.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group's capital commitments at the end of the reporting period are as follows:

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment contracted, but not provided for	–	33

UNCONDITIONAL MANDATORY CASH OFFERS

Reference is made to (i) the joint announcements dated 28 January 2021, 11 February 2021, 18 February 2021, 26 February 2021, 29 March 2021, 31 March 2021, 16 April 2021, 14 May 2021 and 28 May 2021; and (ii) the composite document dated 28 May 2021 (the "Composite Document") jointly issued by BIT Mining Limited (the "Offeror") and the Company in relation to the unconditional mandatory cash offers (the "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, the Company (other than those already owned by or agreed to be acquired by the Offeror and the parties acting in concert with it). The Offers were closed at 4:00 p.m. on 18 June 2021 and were not revised or extended. The Offeror had received: (i) valid acceptances in respect of a total of 30,642,534 offer shares under the share offer, representing 5.59% of the entire issued shares as at the closing date of the Offer; and (ii) valid acceptance in respect of a total of 6,800,000 options under the option offer (of which 6,570,000 options had an exercise price of HK\$0.26 per share and 230,000 options had an exercise price of HK\$1.1 per Share), representing approximately 17.48% of the outstanding options of the Company as at the latest practicable date of the Composite Document (i.e. 25 May 2021).

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

There have been no important events significantly affecting the Group that have occurred since the end of the financial year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Ms. Zhang Jing

Chairman and Non-executive Director

Ms. Zhang, aged 40, was appointed as the chairman of the Company and a non-executive Director on 2 January 2020. She is also the chairman of the nomination committee of the Company. Ms. Zhang joined BIT Mining Limited (formerly known as 500.com Limited) (NYSE stock code: BTCM), a company listed on the New York Stock Exchange and the holding company of the Company, since April 2007. She is currently the senior director of human resources of BIT Mining Limited and a director of certain subsidiaries of BIT Mining Limited. Ms. Zhang was the vice president of 500wan HK Limited, a subsidiary of BIT Mining Limited, from April 2017 to June 2018. From June 2008 to June 2016, she was the finance supervisor responsible for managing online platform transaction funds. Ms. Zhang has over 10 years of financial management and personnel management experiences. Ms. Zhang holds a bachelor's degree in medicine from Hubei Minzu University (formerly known as Hubei Minzu College) in 2004. Ms. Zhang is a cousin of Mr. Law Man San Vincent, a controlling shareholder of the Company.

Mr. Yan Hao

Chief Executive Officer and Executive Director

Mr. Yan, aged 43, is an executive Director, chief executive officer, compliance officer and authorised representative of the Company appointed on 1 September 2020. He was an independent non-executive Director from 10 July 2017 to 7 August 2020. He was also the chairman of the remuneration committee and a member of the nomination committee of the Company from 10 July 2017 to 7 August 2020. Mr. Yan is currently a lawyer of Junzejun Law Offices. Mr. Yan currently serves as an arbitrator for the World Intellectual Property Organization, the Hong Kong International Arbitration Centre, the Shenzhen Court of International Arbitration, and the Guangzhou Arbitration Commission, respectively, as well as a panellist of the Asian Domain Name Dispute Resolution Centre. Mr. Yan obtained a bachelor of laws from Wuhan University in 2001, a master of laws from The University of Hong Kong in 2003 and a master of laws from Stanford University in 2016. Mr. Yan is qualified to practice law in the PRC and is also a registered foreign lawyer in Hong Kong.

Ms. Huang Lilan

Executive Director/Chief Financial Officer

Ms. Huang, aged 39, was appointed as an executive Director on 23 March 2018 and the chief financial officer of the Company on 6 June 2017. She is also a director of certain subsidiaries of the Company. Ms. Huang has more than a decades' experience in accounting, auditing, taxation and financial management. Prior to joining the Company, Ms. Huang served as the financial director of a subsidiary of BIT Mining Limited since 2011. Ms. Huang also served as senior auditor at Ernst & Young from 2006 to 2011. She received a bachelor's degree in business and finance from the University of International Business and Economics in 2005 and has been professionally certified by the Institute of Management Accountants.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Xiangfeng

Non-executive Director

Mr. Yang, aged 52, was appointed as a non-executive Director on 30 June 2021. He is also a member of each of the audit committee and remuneration committee of the Company. He has been the chief executive officer of BIT Mining Limited since December 2020. Mr. Yang has obtained diverse experience from various big data companies and has been in charge of the construction and operation of the big data center of the Company. Mr. Yang is currently the vice president of Riche Bright Securities Limited. From June 2018 to January 2020, Mr. Yang served as the senior vice president of the new retail lottery sector of BIT Mining Limited and the senior consultant of the Company's big data center project team. From April 2019 to February 2020, Mr. Yang served as the executive director of Ganzi Changhe Hydropower Consumption Service Co., Ltd. (甘孜州長河水電消納服務有限公司) ("Ganzi Changhe"), a subsidiary of the Company, and from May 2020 to April 2021, Mr. Yang served as the chairman of Ganzi Changhe. Mr. Yang obtained a bachelor's degree in architecture from Huazhong University of Science and Technology (華中科技大學) in 1991 (formerly known as Wuhan City University of Architecture and Construction (武漢城市建築學院), which later merged into the Huazhong University of Science and Technology (華中科技大學)). Mr. Yang is a brother-in-law of Mr. Law Man San Vincent, a controlling shareholder of the Company.

Dr. Lu Haitian

Independent Non-executive Director

Dr. Lu, aged 42, was appointed as an independent non-executive Director on 10 July 2017. He is also a member of each of the audit committee and nomination committee of the Company. Dr. Lu is currently a professor in law at the School of Accounting and Finance and the director of Chinese Mainland Affairs at The Hong Kong Polytechnic University. He served at the School of Accounting and Finance of The Hong Kong Polytechnic University first as a visiting lecturer in law from September 2005 to June 2007 and later as an assistant professor in law from June 2007 to June 2012, associate professor in law from July 2012 to June 2018, and the associate dean (external relations and development) in the Faculty of Business from January 2018 to January 2020. Dr. Lu has more than 17 years of experience in accounting and law. He obtained a bachelor of international economic law from Nanjing University in 2001, a master of laws from The University of Liverpool in 2002, and a Ph.D. in law from National University of Singapore in 2007. Dr. Lu is currently an independent non-executive director of K. H. Group Holdings Limited (stock code: 1557), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, an independent non-executive director of China Life Trustees Limited and an independent non-executive director of TransThera Sciences (Nanjing), Inc.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Sen

Independent Non-executive Director

Mr. Lin, aged 45, was appointed as an independent non-executive Director on 10 July 2017. He is also the chairman of the audit committee and a member of the remuneration committee of the Company. From June 2017 to April 2019, Mr. Lin served as the chief financial officer of 7Road Holdings Limited (stock code: 797), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. From November 2006 to January 2017, Mr. Lin served as the chief financial officer of Palm Commerce Information Technology (China) Co., Ltd. (掌信彩通信息科技(中國)有限公司) ("Palm Commerce"), which is a lottery service provider in the PRC. Palm Commerce is currently a subsidiary of Telling Telecommunication Holding Co., Ltd. (天音通信控股股份有限公司) (SHE stock code: 000829), a company listed on the Shenzhen Stock Exchange. From February 2001 to July 2006, Mr. Lin served as manager of PricewaterhouseCoopers International Limited. Mr. Lin obtained a bachelor's degree in international business administration from Central University of Finance and Economics (中央財經大學) in 1998 and an executive MBA from China Europe International Business School (中歐國際工商管理學院) in 2011. In 2010, Mr. Lin became a registered accountant in the PRC.

Mr. Huang Jian

Independent Non-executive Director

Mr. Huang, aged 57, was appointed as an independent non-executive Director on 7 August 2020. He is also the chairman of the remuneration committee and a member of the nomination committee of the Company. Mr. Huang is the co-founder of Shenzhen Eerduosi Garment Co., Ltd. (深圳市鄂爾多斯服裝有限公司) and currently serves as its vice-chairman. He is also the founder of Shenzhen Jieyitang Culture Co., Ltd. (深圳皆一堂文化有限公司) in 2012 and currently serves as its chairman of the board. Mr. Huang worked at Beijing China Resources Group from 1989 to 1992 and served as the vice general manager of the retail business group of Hong Kong China Resources Group from 1992 to 2001. Mr. Huang co-founded Shenzhen Eerduosi Garment Co., Ltd. (深圳市鄂爾多斯服裝有限公司) in 2002 and founded Shenzhen Jieyitang Culture Co., Ltd. (深圳皆一堂文化有限公司) in 2012. Mr. Huang studied in the Department of Chemistry of Xiamen University and obtained his bachelor's degree in 1985. He further obtained a Master of Business Administration degree from Xiamen University in 1989.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Huang Lilan

Chief Financial Officer

(Please refer to the profile details in above section)

Mr. Liu Jibin

General Manager of Big Data Services Centre

Mr. Liu, aged 42, is the General Manager of Big Data Services Centre of our Group. He joined the Group in January 2019 and is responsible for supervising the overall operation of our big data centre business unit. He has been involved in the big data centre industry since 2017 and has served as director of various companies in the big data centre industry and invested in big data centres in Xinjiang and Sichuan in his personal capacity. From 2015 to 2017, he founded Chengdu Lianyijia Information Technology Co., Ltd., a company mainly engaged in communication and e-commerce business, and served as the executive director. From 2007 to 2015, Mr. Liu founded Sichuan Moming Information Technology Co., Ltd., a company mainly engaged in call centre services, and served as the executive director. From 2002 to 2007, he worked in various branch companies of China Unicom. Mr. Liu obtained a bachelor's degree in Chinese Language and Literature from Sichuan University in 2002.

COMPANY SECRETARY

Ms. Chow Chiu Man, Mandy

Ms. Chow, aged 45, joined the Group in September 2004. She has been appointed as the company secretary and authorised representative of the Company since 10 July 2017. She has over 18 years of experience in company secretarial affairs. Ms. Chow is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Chow holds a bachelor of business degree from Monash University and a master's degree in corporate governance from The Hong Kong Polytechnic University.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to safeguard the interest of the Company's shareholders (the "Shareholders") and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the Shareholders. Throughout the year ended 31 December 2021 (the "Year"), the Company complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), save for the following:

Under the code provision C.1.2 (which has been re-numbered as D.1.2 since 1 January 2022) of the CG Code, management should provide all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. Although the management of the Company has not provided the Board with monthly updates during the Year, the Company has based on business situation, provided the Board, from time to time, with updated business information to enable the Board as a whole and each director to discharge their duties.

The Board will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the CG Code and maintain high standard of corporate governance practices.

BOARD OF DIRECTORS

Composition of the Board

The composition of the Board reflects the necessary balance of skills and experience desirable for the effective leadership of the Company. The Board currently comprises seven members, including two executive Directors, two non-executive Directors and three independent non-executive Directors.

The Board members as at the date of this annual report are as follows:

Ms. Zhang Jing* (*Chairman*)
Mr. Yan Hao# (*Chief Executive Officer*)
Ms. Huang Lilan#
Mr. Yang Xianfeng*
Dr. Lu Haitian+
Mr. Lin Sen+
Mr. Huang Jian+

Executive Director
* Non-executive Director
+ Independent non-executive Director

The biographical details of the Directors are set out on pages 12 to 15 of this annual report. An updated list of the Directors and their roles and functions is available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE REPORT

The changes to the composition of the Board and Board committees during the Year and up to the date of this report were as follows:

30 June 2021	Mr. Yuan Qiang resigned as a non-executive Director and accordingly ceased to be a member of the Audit Committee and the Remuneration Committee
30 June 2021	Mr. Yang Xianfeng was appointed as a non-executive Director and a member of each of the Audit Committee and the Remuneration Committee

Composition of the independent non-executive Directors reflects the necessary balance of skills and varied business experiences of different geographical regions and independence in their decision making for effective and constructive contribution to the Board for governance of the Company. During the Year, the Board at all times had three independent non-executive Directors (representing more than one-third of the Board) with at least one of them possessing appropriate professional qualification, or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to the independence guidelines set out in the GEM Listing Rules. The Nomination Committee and the Board, based on such confirmations consider that all independent non-executive Directors are independent.

Independent non-executive Directors are identified in all corporate communications containing the names of the Directors.

Save as disclosed herein, there are no financial, business, family or other material relationships among the Directors. All of them are free to exercise their independent judgment.

Roles and Responsibilities of the Board

The Company is headed by the Board which is responsible for the leadership, control and promotion of success of the Group in the interest of the Shareholders by directing and supervising its affairs and by formulating strategic directions and monitoring the financial and management performance of the Group.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer positions are currently held by Ms. Zhang Jing, a non-executive Director, and Mr. Yan Hao, an executive Director, respectively.

The roles of Chairman and Chief Executive Officer are separate and held by different persons to ensure their independence, accountability and responsibility. The division of the responsibilities between the Chairman and the Chief Executive Officer has been established and set out clearly in writing. The Chairman is responsible for setting the Group's strategy and business directions, overseeing the functioning of the Board and ensuring that the Board is functioning properly. The Chief Executive Officer is an executive Director, supported by management, is responsible for managing the Group's business, including implementation of major strategies, making day-to-day decisions and managing business operations.

CORPORATE GOVERNANCE REPORT

Appointments and Re-election of Directors

All Directors have formal letters of appointment with the Company, which set out the key terms of their appointment. Each executive Director was appointed for a term of three years while each non-executive Director and independent non-executive Director was appointed for a term of two years from the date of appointment. The term of appointment of each Director is subject to retirement by rotation and re-election at each annual general meeting in accordance with the articles of association of the Company (the "Articles") and the GEM Listing Rules.

In accordance with Article 86(3) of the Company's Articles, any director appointed to fill a casual vacancy on the Board or, as an addition to the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election. In accordance with Article 87 of the Company's Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

This year, Mr. Yan Hao, Mr. Yang Xianfeng and Dr. Lu Haitian will retire from office by rotation at the forthcoming annual general meeting. The Board and the Nomination Committee recommend their re-appointments. The biographies of the retiring Directors proposed to be re-elected at the annual general meeting are set out in the circular sent with this annual report to provide information to shareholders to decide on their re-elections.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to uphold corporate governance. The Board has adopted its board diversity policy to set out the approach by the Company to achieve diversity on the Board. The Company considers diversity can be achieved through a number of factors, including but not limited to, different age, gender, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are considered according to objective criteria, having regard to benefits of diversity, and decided on merits.

The Nomination Committee monitors the implementation of the board diversity policy and will at appropriate time set measurable objectives for achieving diversity under the board diversity policy. The Nomination Committee reviews the board diversity policy from time to time to ensure its continued effectiveness.

CORPORATE GOVERNANCE REPORT

Nomination Policy

The Board adopted a nomination policy (the "Nomination Policy") to identify and evaluate a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director. The nomination committee of the Company shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- (a) diversity in all its aspects, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience and other personal qualities of the candidate;
- (b) ability to exercise sound business judgment and possess proven achievement and experience in directorship including effective oversight of and guidance to management;
- (c) commitment of the candidate to devote sufficient time for the proper discharge of the duties of a Director. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments will be considered;
- (d) potential/actual conflicts of interest that may arise if the candidate is selected;
- (e) independence of the independent non-executive director candidates must satisfy the independence requirements under the GEM Listing Rules; and
- (f) in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

Securities Dealings by Directors and Employees

The Company has adopted its own code for dealing in the Company's securities by Directors and employees who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the Year.

During the Year, letters were sent to the Directors before the commencement of the "black-out periods" in preparation for the annual, interim and quarterly results announcements to remind them that they should not deal in the securities of the Company during such periods.

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuing Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The company secretary of the Company (the "Company Secretary") from time to time provides the Directors with updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements.

The Company encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skill. During the Year and up to the date of this report, all Directors have provided their records of training they received to the Company for record and a summary of which is set out in page 24 of this report.

Board Meetings

The Board met six times during the year ended 31 December 2021. In addition, the chairman of the Board met with the independent non-executive Directors once without the presence of other Directors present during the Year.

The Board meets regularly over the Company's affairs and operations. At the Board meetings, the Directors considered and approved the financial results and budget, discussed the overall strategy as well as the operation and financial performance of the Group. The Directors either participated in the Board meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles. At least 14 days' notice of the meetings was given. Meeting agenda and accompanying Board papers were provided to all Directors at least three days in advance of every regular Board meeting. With the full support of the management of the Company, such Board papers and materials are provided in a timely manner and in a form and quality sufficient with appropriate explanation to enable the Board to prepare for the meetings, to include matters in the agenda for the meetings and keep the Directors apprised of the latest developments and financial position of the Group.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable rules and regulations are followed. Directors are also entitled to seek independent professional advice in performing their duties at the Company's expense, where necessary.

Minutes of Board meetings record matters discussed and decisions resolved at Board meetings. The minutes would be sent to all Directors within reasonable time after each meeting. The Company Secretary keeps full records of the meetings in accordance with applicable laws and regulations.

The Articles contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

The Company has arranged appropriate liability insurance cover in respect of potential legal actions against its Directors and officers. The coverage and the amount insured are reviewed annually by the Company. In 2021, no claims under the insurance policy were made.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

Management Functions

The overall management and control of the Company's business are vested in its Board, which assumes responsibility for its leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Management, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management of the Group's businesses and the implementation of the strategies and policies as determined by the Board.

Where the Board delegates aspects of its management and administrative functions to the management, it gives clear directions as to the powers of management and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

Board Committees and Corporate Governance Functions

The Board has established three Board Committees to oversee various aspects of the Group's affairs: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Board Committees are governed by their respective terms of reference which clearly defined their authorities and duties and are provided with sufficient resources to discharge their duties. The chairmen of the Board Committees report regularly to the Board their work, findings and recommendations. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the websites of the Company and the Stock Exchange. Chairmen and members of the committees are set out on page 2 of this annual report.

Each committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense, where necessary.

(1) *Audit Committee*

The Audit Committee currently comprises one non-executive Director, namely Mr. Yang Xianfeng, two independent non-executive Directors, namely Dr. Lu Haitian and Mr. Lin Sen and is chaired by Mr. Lin Sen who has substantial accounting and related financial management expertise. The Audit Committee is responsible for (i) monitoring and reviewing the effectiveness of the Group's financial reporting system and, risk management and internal control systems; (ii) reviewing the Group's financial information; and (iii) overseeing the relationship with the auditors of the Company.

During the Year, the Audit Committee held four meetings and its major tasks performed were:

- Reviewed the Group's financial results and reports on a quarterly basis;
- Reviewed the approach and methodology applied with respect to the key audit matters included in the year end auditor's report;

CORPORATE GOVERNANCE REPORT

- Reviewed and approved the external auditors' audit services and non-audit services fees;
- Reviewed the effectiveness of the Group's internal audit functions;
- Reviewed the Group's risk register and discussed the enhancement procedures;
- Recommended to the Board on the re-appointment of the external auditor at the 2021 AGM;
- Reviewed the adequacy and effectiveness of the risk management and internal control systems;
- Reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions;
- Reviewed and approved the internal audit plans; and
- Reviewed the adequacy and effectiveness of the risk management and internal control systems.

None of the members of the Audit Committee is a former or existing partner of the Company's existing auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

(2) *Remuneration Committee*

The Remuneration Committee currently comprises one non-executive Director, namely Mr. Yang Xianfeng and two independent non-executive Directors, namely Mr. Lin Sen and Mr. Huang Jian, and is chaired by Mr. Huang Jian. A majority of the members of the Remuneration Committee consists of independent non-executive Directors. The Remuneration Committee is responsible for (i) reviewing the remuneration packages of the executive Directors and senior management; (ii) making recommendations to the Board on the Directors' fee structure; and (iii) reviewing and approving compensation-related issues.

During the Year, the Remuneration Committee held one meeting and its major tasks performed were:

- Approved the annual salary levels of executive Directors and senior management;
- Approved certain bonus payments;
- Reviewed and approved the remuneration of Directors; and
- Approved the remuneration package of the new appointed Director.

Details of remuneration of the Directors and chief executive are set out in note 11 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

(3) *Nomination Committee*

The Nomination Committee currently comprises one non-executive Director, namely Ms. Zhang Jing and two independent non-executive Directors, namely Dr. Lu Haitian and Mr. Huang Jian, and is chaired by Ms. Zhang Jing. The Nomination Committee is responsible for (i) reviewing the structure, size and composition of the Board; (ii) assessing the suitability and qualification of any proposed director candidate; (iii) assessing the independence of the Independent Non-executive Directors; (iv) making recommendation to the Board on the appointment or re-appointment of Directors; and (v) monitoring and reviewing the implementation of the Board Diversity Policy.

During the Year, the Nomination Committee held one meeting and its major tasks performed were:

- Reviewed the structure, size, composition and diversity of the Board;
- Assessed and reviewed the independence of independent non-executive Directors;
- Recommended to the Board on the re-election of retiring Directors at the annual general meeting; and
- Recommended to the Board on the appointment of Director.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices in compliance with the legal and regulatory requirements; and (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company's compliance with the code provisions in the CG Code.

CORPORATE GOVERNANCE REPORT

2021 BOARD AND COMMITTEE ATTENDANCE AND TRAINING RECORDS

The attendance of the Directors at the annual general meeting, extraordinary general meeting, Board meetings, and Board Committee meetings of the Company and training records for the Year are as follows:

Meetings attended/eligible to attend in 2021 ^(Note 3)

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Extraordinary General Meeting	Type of Training
Directors							
Ms. Zhang Jing [*]	6/6		1/1		1/1	3/3	(A)
Mr. Yan Hao [#]	6/6				1/1	3/3	(A)
Ms. Huang Lilan [#]	6/6				1/1	3/3	(A)
Mr. Yuan Qiang ^{*(note 1)}	2/2	2/2		1/1	1/1	2/2	(A)
Mr. Yang Xianfeng ^{*(note 2)}	4/4	2/2		0/0	0/0	1/1	(A)
Dr. Lu Haitian ⁺	6/6	4/4	1/1		1/1	3/3	(A)
Mr. Lin Sen ⁺	6/6	4/4		1/1	1/1	3/3	(A)
Mr. Huang Jian ⁺	6/6		1/1	1/1	1/1	3/3	(A)
Number of meetings held in 2021	6	4	1	1	1	3	

- # Executive Director
 * Non-executive Director
 + Independent non-executive Director

Notes:

- Resigned as a non-executive Director and accordingly ceased to be a member of each of the Audit Committee and the Remuneration Committee with effect from 30 June 2021.
- Appointed as a non-executive Director and a member of each of the Audit Committee and the Remuneration Committee with effect from 30 June 2021.
- Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles.

(A) Attending seminar or briefings/perusal of materials in relation to business or Directors' duties.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, Ms. Chow Chiu Man, Mandy, supports the Board and Board committees by ensuring good information flow within the Board and that the Board's policy and procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for advising the Board on corporate governance matters and facilitating the induction and continuous professional development of Directors. During the Year, the Company Secretary undertook not less than 15 hours of relevant professional training to update her skills and knowledge. Her biography is set out on page 15 of this annual report under the section headed "Biographical Details of Directors and Senior Management".

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensive, assessment of the Group's performance, position and prospects in all corporate communications. Management provides the Board with quarterly updates, with a view to giving it a balanced and understandable assessment of the Group's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Directors are responsible for the preparation of the Group's consolidated financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year. In preparing the consolidated financial statements, the Directors have selected suitable accounting policies and applied them consistently; made prudent, fair and reasonable judgments and estimates, and prepared the consolidated financial statements on a going concern basis.

The statement of the auditors of the Company about its responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 69 to 72.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Risk Management and Internal Control

Responsibility

The Group upholds the highest standards of integrity and credibility across all levels of its organisation.

The Board acknowledges its responsibility for establishing and maintaining sound systems of internal control and risk management on an ongoing basis to safeguard the shareholders' investment and the Group's assets. The controls built into the risk management system are intended to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

To fulfill this responsibility, the executive Directors are assigned to oversee the implementation of the Group's internal controls and risk management policy and to monitor the business and operations of business units of the Group. The Board also assigned the Audit Committee to review and supervise the financial reporting process and oversee the risk management and internal control systems of the Group.

CORPORATE GOVERNANCE REPORT

The Board has, through the Audit Committee, conducted review of the effectiveness of the risk management and internal control systems of the Group for the Year with the assistance of an external independent consultant.

Risk Management and Internal Control

Risk management

The risk management policy provides a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The Group is committed to the identification, evaluating, and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. For any newly identified significant risks, the Group will evaluate its financial or operational impacts to the Group and adopt mitigation measures to manage such risks. A risk assessment report has been reported to the Audit Committee and reviewed by the Board, which facilitates the Board in considering the changes in the nature and extent of significant risks, the Group's ability respond to changes in its business and the external environment, as well as management's ongoing monitoring of risks.

Internal Control

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covers major financial, operational and compliance controls. An internal control review report including the examination results of the review works covering areas such as corporate governance, finance, operations and compliance, with recommendations on the control weaknesses of the Group was duly reported to the Audit Committee and the Board for their assessment of the internal control effectiveness of the Group. For any identified control weaknesses, appropriate actions will be taken in a timely manner. All remedial actions will be regularly followed up when necessary to ensure the material control weaknesses have been duly addressed.

The Board considers that the risk management and internal control systems are effective and adequate and that the Group has complied with the code provisions relating to risk management and internal control of the CG Code.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of the Securities and Futures Ordinance ("SFO") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts. The Company has adopted a policy for handling and dissemination of inside information.

CORPORATE GOVERNANCE REPORT

Audit Committee Supervision

The Audit Committee holds the necessary meetings with the Company's chief financial officer, an external independent consultant and the external auditor to review the financial statements and auditor's reports on financial, internal control and risk management matters. The Audit Committee reports to the Board on significant internal control and risk management matters, suspected frauds or irregularities, and alleged infringement of laws, rules and regulations, which come to their attention.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for 2021 covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and final reporting functions and considers that they are adequate.

Auditors' Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditor, ZHONGHUI ANDA CPA Limited, is independent and has recommended the Board to re-appoint it as the Company's auditor at the 2022 AGM. The statement about its reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on pages 69 to 72. The remuneration in respect of audit and non-audit services provided to the Group by the Company's auditors, ZHONGHUI ANDA CPA Limited and its affiliate companies for the year ended 31 December 2021 was as follows:

Category of Services	Fees Paid/ Payable HK\$'000
Audit services	670
Non-audit services ^(Note)	150
Total	820

Note: The non-audit services included the internal control review, risk assessment and other services

Compliance Officer

Mr. Yan Hao, the Chief Executive Officer and an executive Director, is the compliance officer of the Company. Please refer to his biographical details as set out in the "Biographical Details of Directors and Senior Management" in this annual report.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Under Article 58 of the Articles, any one or more shareholders holding not less than one-tenth of the paid up capital of the Company and carrying the right of voting at the general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

Such a requisition, specifying the shareholding information of the shareholder who made the requisition, must be signed by the shareholder and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong, the details of which are provided in the "Corporate Information" section of this annual report.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) may convene the extraordinary general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Putting Forward Proposal at General Meetings

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at general meetings. The proposals shall be sent to the Company Secretary by a written requisition with his/her/its detailed contact information to the Company's head office and principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Procedures for Shareholders to Convene an Extraordinary General Meeting" above.

Right to Put Enquiries to the Board

Shareholders have a right to put enquiries to the Board. All enquiries should be in writing and sent to the Company Secretary at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong or by email to info@lotoie.com.

Procedures for Nomination of Directors for Election

Under Article 88 of the Articles, shareholders are entitled to elect a person to be a Director at a general meeting. The procedures for nomination of Directors for election are available on the Company's website at www.lotoie.com.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Dividend Policy

The Company seeks to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including the Company and the Group's actual and expected financial performance, general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and the Company's future expansion plan.

Annual General Meeting

The Company considers the annual general meeting ("AGM") an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed.

The Chairman, Board Committees' chairmen (or their delegates) and the Company's auditors attended the 2021 AGM and were on hand to answer questions.

Shareholders' Communication Policy

The Company considers that effective communication with the shareholders and stakeholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. The shareholders of the Company may participate at general meetings and extraordinary general meetings of the Company, make proposals and raise questions to the Board at general meetings or providing written notice, The Company Secretary responds to letters and emails enquiries from shareholders/investors.

Shareholders and investors may contact the Company by email to info@lotoie.com or by mail to the Company Secretary at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong to request for the Company's information to the extent such information is publicly available and/or to direct any other enquiries or request to the Company. The website of the Company at www.lotoie.com also provides a medium to make information of the Group available to shareholders.

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Shareholders can also contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings.

CONSTITUTIONAL DOCUMENTS

No amendment was made in the Company's constitutional documents during the Year.

REPORT OF THE DIRECTORS

The directors (the “Directors”) of the Company present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021 (the “Year”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and joint venture are set out in notes 20, 21 and 22 respectively to the consolidated financial statements.

An analysis of the Group’s performance for the Year by operating segments is set out in note 7 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group’s business, an indication of likely future development in the Group’s business as well as particulars of important events affecting the Group that have occurred since the end of the Year can be found in the “Chairman’s Statement” and the “Management Discussion and Analysis” set out on pages 3 to 4 and pages 5 to 11 respectively of this annual report. An analysis of the Group’s performance during the Year using financial key performance indicators is set out in the Group’s Five-year Financial Summary on page 150 of this annual report. A description of the principal risks and uncertainties facing the Group, discussions on the Group’s environmental policies and performance, the compliance with the relevant laws and regulations that have a significant impact on the Group and the account of the Group’s key relationships with its employees, suppliers and customers are set out in the sections headed “Key Risks and Uncertainties”, “Environmental Policies and Performance”, “Compliance with the Relevant Laws and Regulations” and “Relationships with Employees, Suppliers and Customers” on pages 30 to 32. The above discussions form part of the business review as contained in this report of the Directors.

KEY RISKS AND UNCERTAINTIES

Risk relating to legal and regulatory compliance

As the technology and big data industries continue to evolve, regulatory authorities in numerous jurisdictions have been attempting to keep up with these evolutions and developing more comprehensive and rigorous industry regulations. As the Group is expanding its businesses into Hong Kong and other overseas markets, it is required to comply with new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group’s businesses, such as laws relating to data protection, internet information security and those that relate to environmental, social and governance matters. The Group may be involved in legal and other proceedings from time to time, and as a result may face negative impact to its reputation or expose to legal liability.

REPORT OF THE DIRECTORS

Risk relating to economic environment and pandemic

The Group's business operations may be subject to risks arising from the general and sector-specific economic and public health conditions, including as a result of any pandemics or natural disasters, in one or more of the markets in which the Group operates. Further deterioration of the macro-economic environment could result in more conservatism decision making within the Group and its business partners. This risk was increased given the new wave of COVID-19 pandemic, in particular, the spreading of new COVID-19 variants and related restrictions imposed across various regions from time to time.

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 local governments, which could adversely affect the Group's business and results of operations.

Risk relating to the supply of and price volatility in electric power

The Group consumes considerable amounts of electricity in operating its big data service centres. The electricity costs incurred by the Group are substantial. Local electricity supply may not be stable for consumption at all times and the rapid increase in demand of electricity may lead to the surge in the price of electricity. In the event that the Group is unable to secure a stable supply and reasonable cost of electricity, the Group's future costs of operation could be adversely affected.

In addition, potential electricity supply interruption at data centres may occur due to harsh weather conditions, damages of electric power transmission facilities, construction defects and errors in operation. Any electricity interruption may adversely affect the Group's results of operations.

Risk relating to system continuity

As an operator of the big data centres, the Group provides the premises, hardware support, power supply and ancillary supervision and management service to customers. The Group has also developed software which enables its customers to remotely monitor their data processors and obtain real-time information such as the average computing capacity and operating time. It involves receiving, storage and processing personal information and other privacy data. Any system or network failure or computer virus attack may result in operational disruption and breach of data privacy. The Group's business and operation results would be adversely affected.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental sustainability against modern ecological challenges. The Group strives to minimise its impact on the environment by saving electricity, petrol, diesel and water consumption, and encouraging recycling of office supplies and other materials. During the Year, the Group has not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

More information is provided in the Environmental, Social and Governance Report on pages 47 to 68.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control measures to monitor the continuous compliance with relevant laws and regulations such as the Companies Act of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the GEM Listing Rules and other laws and regulations implemented in relevant jurisdictions. During the Year, as far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year.

The Group continues to commit to comply with the relevant laws and regulations.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and retain the best people. The Group regularly reviews the remuneration package of employees and makes necessary adjustments taking into account the prevailing market conditions.

The Group also understands the importance of maintaining good relationship with its suppliers and customers. The Group has established long term business relationship with the suppliers which ensures delivering constantly high standards of quality in the products and services. The Group maintains close relationship with the customers to fulfil their immediate and long-term need. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the Group's financial position as at 31 December 2021 are set out in the consolidated financial statements on pages 73 to 74 and pages 75 to 76 respectively.

The Directors do not recommend the payment of a final dividend for the Year (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 11 May 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 5 May 2022 to Wednesday, 11 May 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 4 May 2022.

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 150 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association (the "Articles") or the laws of the Cayman Islands in relation to the offer of new shares on a pro rata basis to its existing shareholders.

RESERVES

Movements in reserves of the Company and Group during the Year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the shareholders of the Company are approximately HK\$81,923,000 (2020: HK\$294,306,000) as calculated in accordance with the provisions of the Companies Act of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

In 2021, the Group's largest customer accounted for 11% (2020: 19%) of the Group's total revenue. The five largest customers of the Group in 2021 comprised 53% (2020: 70%) of the Group's total revenue.

In 2021, the Group's largest supplier accounted for 44% (2020: 56%) of the Group's total purchases. The five largest suppliers in 2021 comprised 96% (2020: 97%) of the Group's total purchases.

At no time during the Year did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to the date of this report are:

Ms. Zhang Jing* (*Chairman*)
Mr. Yan Hao# (*Chief Executive Officer*)
Ms. Huang Lilan#
Mr. Yuan Qiang* (*resigned on 30 June 2021*)
Mr. Yang Xianfeng* (*appointed on 30 June 2021*)
Dr. Lu Haitian+
Mr. Lin Sen+
Mr. Huang Jian+

Executive Director

* Non-executive Director

+ Independent non-executive Director

In accordance with Article 87 of the Articles, Mr. Yan Hao and Dr. Lu Haitian, being Directors longest in office since their last election, shall retire from office by rotation at the forthcoming annual general meeting and are eligible to offer themselves for re-election.

Mr. Yang Xianfeng was appointed as a non-executive Director on 30 June 2021. In accordance with Article 86(3) of the Articles, Mr. Yang will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors concerning his independence of the Company and considers that each of the independent non-executive Directors is independent of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 12 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, save for matters in respect of his fraud or dishonesty. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, there were no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year, nor were there any other contracts of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" of this report, at no time during the Year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of each Director and chief executive of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

REPORT OF THE DIRECTORS

(I) Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of the Company ("Shares")

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

(b) Share options granted by the Company

Name of Director	Number of underlying shares held pursuant to share options	Approximate percentage of total issued Shares
	(Notes 2 & 3)	(Note 1)
Ms. Zhang Jing	3,566,800	0.65%
Mr. Yan Hao	3,300,000	0.60%
Ms. Huang Lilan	2,000,000	0.36%
Mr. Yang Xianfeng	5,166,800	0.94%
Mr. Lin Sen	400,000	0.07%
Mr. Huang Jian	200,000	0.04%

Notes:

- As at 31 December 2021, the total number of issued Shares was 548,378,822.
- This represents interests held by the relevant Director as beneficial owner.
- Details of share options granted to the Directors pursuant to the share option scheme of the Company are set out in the "Share Option Scheme" section of this report and note 34 to the consolidated financial statements.

REPORT OF THE DIRECTORS

(II) Long positions in the shares and underlying shares of associated corporations of the Company

BIT Mining Limited (formerly known as 500.com Limited) (“BIT Mining”) (a listed holding company of the Company)

(a) American depository shares (“ADS”) of BIT Mining

Name of Director	Number of ADS held	Approximate percentage of total issued and outstanding shares of BIT Mining
	(Note 2)	(Note 1)
Ms. Zhang Jing	33,481	0.05%
Mr. Yan Hao	471,747	0.66%
Ms. Huang Lilan	12,333	0.02%
Mr. Yang Xianfeng	459,460	0.65%

(b) Awarded shares granted by BIT Mining

Name of Director	Number of awarded shares held	Approximate percentage of total issued and outstanding shares of BIT Mining
	(Notes 2 & 3)	(Note 1)
Ms. Zhang Jing	67,078	0.09%
Ms. Huang Lilan	110,000	0.15%
Mr. Yang Xianfeng	172,400	0.24%

REPORT OF THE DIRECTORS

Notes:

1. As at 31 December 2021, the total number of issued and outstanding shares of BIT Mining was 71,014,316.
2. This represents interests held by the relevant Director as beneficial owner.
3. Details of the 67,078 awarded shares held by Ms. Zhang Jing are as follows:
 - 67,078 awarded shares granted on 19 July 2021 will vest on 19 July 2031Details of the 110,000 awarded shares held by Ms. Huang Lilan are as follows:
 - 110,000 awarded shares granted on 19 July 2021 will vest on 19 July 2031Details of the 172,400 awarded shares held by Mr. Yang Xianfeng are as follows:
 - 172,400 awarded shares granted on 19 July 2021 will vest on 19 July 2031

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 18 May 2012, the shareholders of the Company approved the adoption of a share option scheme (the “2012 Share Option Scheme”), under which the Directors may grant options to eligible persons to subscribe for the Company’s shares, subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme will expire on 17 May 2022.

A summary of the principal terms of the 2012 Share Option Scheme are set out in note 34 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Movements of share options granted under the 2012 Share Option Scheme during the Year are set out below:

Type of participants	Number of share options						As at 31 December 2021	Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2021	Granted during the Year	Reclassified during the Year (Note 6)	Exercised during the Year	Lapsed during the Year	Cancelled during the Year				
Directors										
Ms. Zhang Jing	466,800	-	-	-	-	-	466,800	01.04.2019	1.10	2
	3,100,000	-	-	-	-	-	3,100,000	10.08.2020	0.26	3
	3,566,800	-	-	-	-	-	3,566,800			
Mr. Yan Hao	200,000	-	-	-	-	-	200,000	01.04.2019	1.10	2
	3,100,000	-	-	-	-	-	3,100,000	10.08.2020	0.26	3
	3,300,000	-	-	-	-	-	3,300,000			
Mr. Wang Bingzhong	3,100,000	-	(3,100,000)	-	-	-	-	01.04.2019	1.10	2
	3,100,000	-	(3,100,000)	-	-	-	-	10.08.2020	0.26	3
	6,200,000	-	(6,200,000)	-	-	-	-			
Ms. Huang Lilan	1,000,000	-	-	-	-	-	1,000,000	01.04.2019	1.10	2
	1,000,000	-	-	-	-	-	1,000,000	10.08.2020	0.26	3
	2,000,000	-	-	-	-	-	2,000,000			
Mr. Yuan Qiang ^(Note 4)	3,100,000	-	(3,100,000)	-	-	-	-	01.04.2019	1.10	2
	3,100,000	-	(3,100,000)	-	-	-	-	10.08.2020	0.26	3
	6,200,000	-	(6,200,000)	-	-	-	-			

REPORT OF THE DIRECTORS

Type of participants	Number of share options							Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2021	Granted during the Year	Reclassified during the Year (Note 6)	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	As at 31 December 2021			
Mr. Yang Xianfeng ^(Note 5)	-	-	2,066,800	-	-	-	2,066,800	01.04.2019	1.10	2
	-	-	3,100,000	-	-	-	3,100,000	10.08.2020	0.26	3
	-	-	5,166,800	-	-	-	5,166,800			
Dr. Lu Haitian	200,000	-	-	-	-	(200,000)	-	01.04.2019	1.10	2
	200,000	-	-	-	-	(200,000)	-	10.08.2020	0.26	3
	400,000	-	-	-	-	(400,000)	-			
Mr. Lin Sen	200,000	-	-	-	-	-	200,000	01.04.2019	1.10	2
	200,000	-	-	-	-	-	200,000	10.08.2020	0.26	3
	400,000	-	-	-	-	-	400,000			
Mr. Huang Jian	200,000	-	-	-	-	-	200,000	10.08.2020	0.26	3
	200,000	-	-	-	-	-	200,000			
Sub-total:	22,266,800	-	(7,233,200)	-	-	(400,000)	14,633,600			
Employees	110,000	-	(30,000)	-	-	-	80,000	01.04.2019	1.10	2
	900,000	-	(250,000)	-	(20,000)	(30,000)	600,000	10.08.2020	0.26	3
Sub-total:	1,010,000	-	(280,000)	-	(20,000)	(30,000)	680,000			
Others ^(Note 8)	400,000	-	-	-	-	-	400,000	05.01.2018	2.00	1
	5,266,800	-	4,163,200	-	-	(30,000)	9,400,000	01.04.2019	1.10	2
	9,960,000	-	3,350,000	-	-	(6,340,000)	6,970,000	10.08.2020	0.26	3
Sub-total:	15,626,800	-	7,513,200	-	-	(6,370,000)	16,770,000			
Total:	38,903,600	-	-	-	(20,000)	(6,800,000)	32,083,600			

REPORT OF THE DIRECTORS

Notes:

1. The share options granted on 5 January 2018 are divided into 3 tranches exercisable from 5 January 2018, 5 January 2019 and 5 January 2020 respectively to 4 January 2028.
2. The share options granted on 1 April 2019 are divided into 3 tranches exercisable from 1 April 2019, 1 April 2020 and 1 April 2021 respectively to 31 March 2029.
3. The share options granted on 10 August 2020 are divided into 3 tranches exercisable from 10 August 2020, 10 August 2021 and 10 August 2022 respectively to 9 August 2030.
4. Mr. Yuan Qiang resigned as a non-executive Director with effect from 30 June 2021.
5. Mr. Yang Xianfeng was appointed as a non-executive Director with effect from 30 June 2021.
6. To better reflect certain grantee's position in relation to the Group, their respective types of participant have been reclassified from Directors to others, from others to Directors, from employees to others or from others to employees as appropriate.
7. During the Year, no share options were granted and exercised under the 2012 Share Option Scheme.
8. The category "Others" represents the consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognising their services similar to those rendered by employees of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed by BIT Mining (being the controlling shareholder of the Company), during the Year, BIT Mining was engaged in, amongst other things, the provision of data centre services. As such, BIT Mining has interest in a business which may be considered to potentially compete with the business of providing data analysis and storage services of the Group. Save as disclosed above, none of the Directors, the controlling shareholder of the Company or their respective close associates (as defined in the GEM Listing Rules) had interest in any business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

1. On 3 August 2018, Loto Interactive Information Technology (Shenzhen) Limited (“Loto Shenzhen”), a wholly-owned subsidiary of the Company, entered into the cooperation agreement (the “Cooperation Agreement”) pursuant to which, Loto Shenzhen conditionally agreed to provide the services to Shenzhen E-Sun Sky Network Technology Co., Ltd. (深圳市易訊天空網絡技術有限公司) (“E-Sun Sky”) subject to the terms and conditions provided therein for the period from the 8 October 2018 to 5 March 2021. E-Sun Sky is a wholly-owned subsidiary of BIT Mining, the controlling shareholder of the Company. Accordingly, E-Sun Sky is a connected person of the Company pursuant to the GEM Listing Rules and the transactions contemplated under the Cooperation Agreement constituted continuing connected transactions of the Company under the GEM Listing Rules.

Further details of the transactions were disclosed in the announcement dated 12 September 2018 and the circular dated 14 September 2018. The Cooperation Agreement, the transactions contemplated thereunder and the proposed annual caps had been duly passed by way of poll at the extraordinary general meeting held on 8 October 2018.

As at the date of this report, the Cooperation Agreement has expired and has not been renewed.

2. On 15 May 2020, Happy Technology Limited (“Happy Technology”), an indirect non wholly-owned subsidiary of the Company, entered into the framework purchase agreement with Whalechip Co., Ltd. (“Whalechip”) whereby Happy Technology shall purchase the supercomputing devices or other similar products from Whalechip. The framework purchase agreement has a term of one year commencing from 15 May 2020, during which, the purchase cap will be US\$2,000,000 (equivalent to approximately HK\$15,502,900). Whalechip is owned by Mr. Yan Yi-Wei as to 36%. Mr. Yan is a director of Happy Technology, a non wholly-owned subsidiary of the Company, and therefore a connected person at the subsidiary level as defined in the GEM Listing Rules. Mr. Yan is the beneficial owner of 36% equity interest in Whalechip. Hence, Whalechip is an associate of Mr. Yan and therefore also a connected person at the subsidiary level as defined under the GEM Listing Rules.

The entering into of the framework purchase agreement and the transactions thereunder (including the purchase cap) constitute continuing connected transactions of the Company. Further details of the transactions were set out in the announcement of the Company dated 15 May 2020.

As at the date of this report, the framework purchase agreement has expired and has not been renewed.

REPORT OF THE DIRECTORS

3. On 24 March 2021, 甘孜州長河水電消納服務有限公司 (Ganzi Changhe Hydropower Consumption Service Co., Ltd.) (“Changhe Hydropower”), an indirect non wholly-owned subsidiary of the Company, entered into a services framework agreement (the “Services Framework Agreement”) with Chongqing Yusheng Information Technology Co., Ltd. (重慶宇盛信息技術有限公司) (“Chongqing Yusheng”), an indirect wholly-owned subsidiary of BIT Mining, pursuant to which Changhe Hydropower agreed to provide storage and comprehensive big data centre services in respect of the data processors placed by Chongqing Yusheng in the big data centre operated by Changhe Hydropower. On 31 March 2021, Changhe Hydropower, Chongqing Yusheng and BIT Mining entered into a supplemental framework agreement to the Services Framework Agreement (the “Supplemental Framework Agreement”), pursuant to which BIT Mining (for itself and on behalf of its subsidiaries) was added as a party to the Services Framework Agreement and shall assume the rights and obligations under the Services Framework Agreement in substitution of Chongqing Yusheng. Save for the addition of BIT Mining (for itself and on behalf of its subsidiaries) as a party to the Services Framework Agreement, all other terms of the Services Framework Agreement remained unchanged.

Further details of the transactions were disclosed in the announcements dated 24 March 2021 and 31 March 2021 and circular of the Company dated 18 April 2021. The Services Framework Agreement, the transactions contemplated thereunder and the proposed annual caps had been duly passed by way of poll at the extraordinary general meeting held on 4 May 2021.

The Services Framework Agreement was terminated in October 2021.

4. On 13 September 2021, the Company, for itself and also as agent of its wholly-owned subsidiaries and controlling companies, conditionally entered into the service agreement (“Service Agreement”) with BIT Mining, the controlling shareholder of the Company. Pursuant to the Service Agreement, the Company, for itself and also as agent of its wholly-owned subsidiaries and company(ies) in which the Company holds interest (the “Controlling Companies”), conditionally agreed to provide big data centre services to BIT Mining, for itself and also as agent of its wholly-owned subsidiaries and Controlling Companies for a period of 36 months.

Further details of the transactions were disclosed in the announcements dated 13 September 2021 and 13 October 2021 and circular of the Company dated 22 October 2021. The Service Agreement, the transactions contemplated thereunder and the proposed annual caps had been duly passed by way of poll at the extraordinary general meeting held on 8 November 2021.

All the independent non-executive Directors have reviewed the above four Continuing Connected Transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company’s auditor was engaged to report on the above four Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Company in the annual report in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

During the Year, the Group entered into certain transactions with “related parties” as defined under the applicable accounting standards. These related party transactions are disclosed in note 37 to the consolidated financial statements. As disclosed in note 37(a) to the consolidated financial statements, the related party transactions in respect of the big data centre services income from fellow subsidiaries for the year ended 31 December 2021 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules and the Company has complied with the relevant requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of such transactions. Further details are set out in the section headed “Continuing Connected Transactions” of this report.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of persons (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares

Name	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of total issued Shares
			(Note 1)
BIT Mining	Beneficial owner	327,868,805	59.79%
Mr. Law Man San Vincent (“Mr. Law”) (Note 2)	Interest in controlled corporations Beneficial owner	327,868,805 184,000	59.79% 0.03%
Ms. Yuan Ping (“Mrs. Law”) (Note 3)	Interest of spouse	328,052,805	59.82%

Notes:

- As at 31 December 2021, the total number of issued Shares was 548,378,822.
- Mr. Law was deemed to be interested in 327,868,805 Shares held by BIT Mining through his controlled corporations, Good Luck Capital Limited and Delite Limited. He was also interested in 184,000 Shares in the capacity of beneficial owner.
- Mrs. Law was deemed to be interested in all Shares held by Mr. Law pursuant to the SFO.

Save as disclosed above, as at 31 December 2021, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the 2012 Share Option Scheme as disclosed in the “Share Options Scheme” section of this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into by the Company during the Year or subsisted at the end of the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules as at the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

Information on the Company’s corporate governance practices is set out in the Corporate Governance Report on pages 16 to 29 of this annual report.

EMOLUMENT POLICY

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company’s operating results, individual performance and comparable market standards. Particulars of the emoluments of Directors on a named basis for the Year are set out in note 11 to the consolidated financial statements.

The Company adopted the 2012 Share Option Scheme as an incentive to Directors, employees and consultants. Details of the scheme are set out in note 34 to the consolidated financial statements.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has an Audit Committee, which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and overseeing the Group's risk management and internal controls. It also reviews the effectiveness of the audit process and risk evaluation.

The Audit Committee, made up of one non-executive Director and two independent non-executive Directors, met four times during the Year. At the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the quarterly, the interim and the annual reports of the Group and discussed with management the auditing, risk management, internal controls and financial reporting matters.

CHARITABLE CONTRIBUTIONS

During the Year, the Group had made approximately HK\$102,000 charitable and/or other donations.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by ZHONGHUI ANDA CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as the auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Yan Hao

Chief Executive Officer and Executive Director

Hong Kong, 23 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Loto Interactive Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is pleased to present its report on the environmental, social, and governance (the “ESG”) aspects, in accordance with the guidelines of Appendix 20 to the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This environmental, social and governance report (the “ESG Report”) covers the overall performance of the Group in ESG aspects during the period from 1 January 2021 to 31 December 2021 (the “Reporting Period” or the “Year”).

The Group highly values the importance of making appropriate disclosure of corporate information to all investors and shareholders of the Company and believes that high level of transparency is the key to building confidence with investors. Therefore, in this ESG Report, it highlighted the sustainable achievements in the following areas to give stakeholders a better understanding of what the Group has done to protect the environment and promote social harmony during the Reporting Period:

ESG Aspects	Issues
Environmental	<ul style="list-style-type: none">– Emissions– Use of Resources– The Environment and Natural Resources– Climate change
Social	
Employment and Labour Practices	<ul style="list-style-type: none">– Employment– Health and Safety– Development and Training– Labour Standards
Operating Practices	<ul style="list-style-type: none">– Supply Chain Management– Product Responsibility– Anti-corruption
Community	<ul style="list-style-type: none">– Community Investment

For details of corporate governance, please refer to the “Corporate Governance Report” as set out on pages 16 to 29 of the 2021 Annual Report of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The Board of Directors of the Company (the "Board") is committed to maintaining a sustainable development of its business as well as supporting the long-term sustainability of the environment and communities where the Group operates and continually enhances investment value to stakeholders through proper and effective internal control systems and ESG risk management measures throughout its operations. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic formulation, and the significant ESG impact caused by daily operations and businesses. The Board maintains oversight of and approves the identification and assessment of ESG issues and confirms that to the best of its knowledge, this ESG Report addresses material topics related to the operations of the Group and fairly presents its ESG performance and impacts.

The Board has delegated the Group's management to supervise ESG-related issues and work of the Group. The Group's management is responsible for monitoring and reviewing the compliance with local laws and regulations with regards to ESG-related issues. The management is also responsible for establishment of sustainability strategies, policies and measures to implement sustainability initiatives, provide sustainability reporting and prepare the ESG Report.

Board's ESG management approach and strategy for evaluation, prioritization and management of material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group is able to understand their expectations and concerns. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the impacts of the business decisions.

The Group has evaluated the materiality for each of the ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Taking these steps enhances the understanding of the degree of importance of the Group's stakeholders to each material ESG issue, and enables the Group to plan the sustainable development direction more comprehensively in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Review by the Board on progress made against ESG-related goals and targets

The progress of implementation and the performance of the ESG-related goals and targets should be closely reviewed from time to time. Modification may be needed if the progress falls short of expectation or change of business operations. Effective communication about the goals and targets with key stakeholders such as employees, customers and suppliers are essential.

Setting strategic goals for the coming five years enables the Group to develop a realistic roadmap and focus on results of achieving the visions.

Setting targets requires the Group's management to carefully examine the attainability of the targets which should be weighed against the Group's ambitions and goals.

REPORTING PRINCIPLES

This ESG Report is based on the following four reporting principles:

Materiality: Stakeholder engagement and materiality assessment were conducted to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this ESG Report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the provision of data analysis and storage services (the "Big Data Centre Services"); (ii) data processors leasing services; and (iii) money lending business in Hong Kong (the "Money Lending Business").

In the Year, the Group operated big data centres that provided comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to its customers. Due to the suspension from power supply for the three big data centres in Sichuan Province, the People's Republic of China (the "PRC") since June 2021, all three big data centres in the PRC have suspended operation. This ESG Report will focus on the four environmental aspects and eight social aspects of the office in Hong Kong and the office in Sichuan and the three big data centres (before their suspension) since the operations of these three big data centres had the highest revenue contributions to the Group during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group recognises the ESG Report as an important measure to showcase its efforts in sustainable development. In realising sustainable development, the Group is devoted to strike a balance of the interests among various stakeholders, such as government and regulatory authorities, investors and shareholders, suppliers, customers, employees, work partners as well as the community. The Company is searching for every opportunity to understand and engage its stakeholder to ensure improvement can be implemented to its products and services. The Group strongly believes its stakeholders play a crucial role in sustaining the success of its business.

The existing communication mechanism with stakeholders of the Group is set forth as below:

Stakeholders	Probable Points of Concern	Communication and Response
The Stock Exchange	<ul style="list-style-type: none">• Compliance with GEM Listing Rules• Timely and accurate announcements	<ul style="list-style-type: none">• Meetings, training, workshops and programs• Website updates and announcements
Government	<ul style="list-style-type: none">• Compliance with laws and regulations• Preventing tax evasion	<ul style="list-style-type: none">• Interaction and visits and compliance operation• Tax returns and other information
Suppliers	<ul style="list-style-type: none">• Payment schedule• Business ethics and credibility• Supply stability	<ul style="list-style-type: none">• Fulfillment of payment obligation• Performing contracts in accordance with the law• Site investigation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

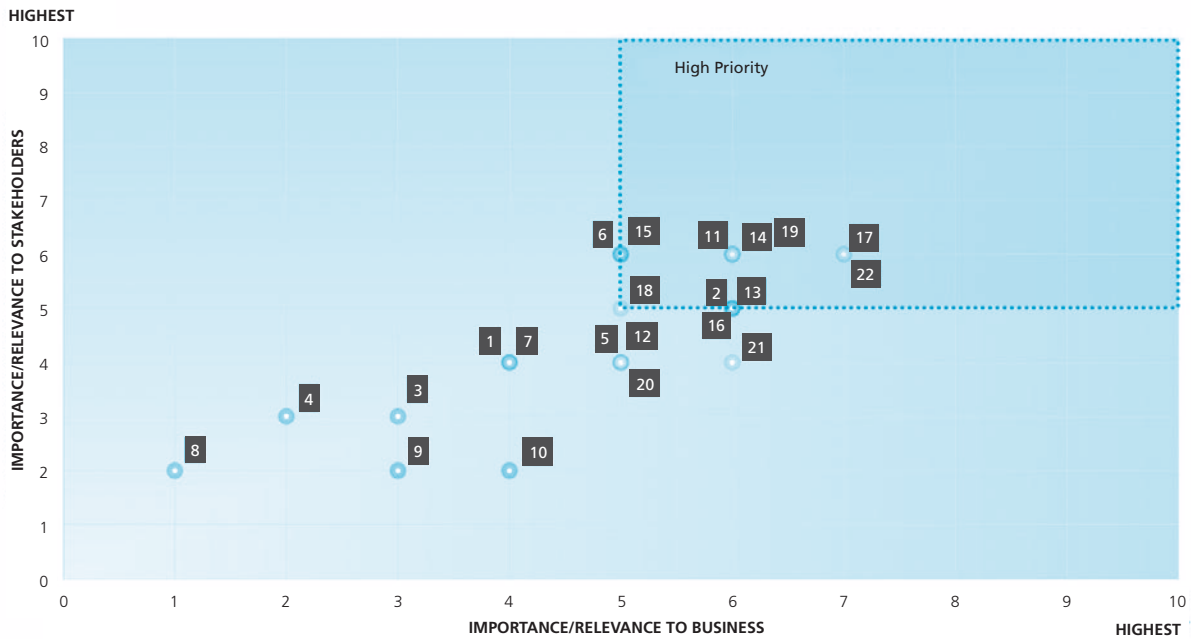
Stakeholders	Probable Points of Concern	Communication and Response
Investors and shareholders	<ul style="list-style-type: none"> • Corporate governance • Business strategies • Performance and investment returns 	<ul style="list-style-type: none"> • Optimising internal control and risk management • Organising and participating in seminars, interviews and shareholders' meetings • Issuance of financial reports or operation reports for investors and analysts
Media and Public	<ul style="list-style-type: none"> • Corporate governance • Environmental protection • Human rights 	<ul style="list-style-type: none"> • Issuance of newsletters on the Company's website • Using environmental protection and energy saving equipment • Providing equal employment opportunities
Customers	<ul style="list-style-type: none"> • Service quality, service delivery schedule, reasonable prices and service value • Customer information security 	<ul style="list-style-type: none"> • Quality products and services • Personal data protection
Employees	<ul style="list-style-type: none"> • Rights and benefits of employees • Training and development • Compensation, work hours, and working environment • Occupational health and safety 	<ul style="list-style-type: none"> • Conducting union activities • Training, interviews with employees and internal memos • Setting up employee suggestion boxes • Conducting regular occupational health and safety training to increase staff awareness
Community	<ul style="list-style-type: none"> • Community environment • Employment opportunities • Community development, and social welfare 	<ul style="list-style-type: none"> • Developing community activities • Providing employment opportunities • Employee voluntary activities and community welfare subsidies and donations

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In the Year, the Company undertook its annual materiality assessment exercise, which included conducting interviews and/or surveys with internal and external stakeholders to identify the most significant operating, environmental and social impacts towards its business.

The Group’s materiality matrix of ESG issues in the Year:



Environmental

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Environmental impact of operation
6. Compliance of environmental laws and regulations
7. Impact of climate change
8. Use of chemicals

Social

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

Operating practices

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

The Group understands that greenhouse gases, sewage, solid wastes and other pollutants generated in its daily operation cause damage to the environment and it is the responsibility of all corporations to ensure that emission of pollutants and consumption of resources are minimised and carbon footprints are produced. For such purpose, the Group has identified the following goals to reduce consumption of resources:

Goals

- Reducing emission of carbon dioxide
- Reducing consumption of resources
- Reducing production of waste

A1 Emissions

The three big data centres in aggregate have a gross floor area of over 18,000 square metres. As an operator of the big data centres, the Group provides storage places, hardware support, power supply, ancillary supervision and management services to customers.

Electricity consumed by the big data centres and offices and fuels consumed by motor vehicles are the main sources of nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and particulate matter ("PM") and greenhouse gas ("GHG") emissions.

The Group recognises that the use of electricity contributes to the emission of air pollutants and GHG. Since the operation of big data centres requires consumption of enormous amount of energy and electricity, the Group has taken conscious efforts to select suitable operating locations. The Group has adopted a location strategy to build the big data centres near hydroelectric plants where it can utilise renewable energy sources. In addition, energy efficient fans and wet curtain paper in the data centres as cooling facilities to maintain the centres at an ideal temperature in order to prevent the data processors and network technology equipment from overheating.

The Group owns 7 motor vehicles which are strictly used for transporting management team members, guests and customers and for business activities. Most of the vehicles are running on unleaded automotive fuel, which is, in comparison to other fuels, cleaner and emits less pollutant into the air. All vehicles are under regular maintenance checks to enhance fuel consumption efficiency, ensure road safety and keep carbon dioxide emission at a minimum.

For air conditioning in offices, the Group encourages its employees to set the air conditioners at the most comfortable temperature and switch them off when it is not necessary so as to reduce emission of GHGs. The Group has also put notices at eye-catching areas in the offices to remind the employees about energy saving in the course of business. Air conditioners installed at the office are centrally controlled by the office building, and are automatically switched off from 8 pm until 8 am of the following day.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The key environmental performance indicators of the Group's emissions in the Year are shown in the table below:

Air emissions from the use of motor vehicles

Environmental Indicators	Unit	2021	2020
NO _x	Kg	11.01	15.34
SO _x	Kg	0.2	0.29
PM	Kg	0.81	1.12

Note: The emission factors used to calculate the NO_x, SO_x and PM are sourced from: (i) the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation model; and (ii) the United States Environmental Protection Agency's Vehicle Emission Modeling Software – MOBILE6.1. The assumption of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30kmh, and include running exhaust emissions only.

Reduction target of air emissions

Environmental Indicators	Reduction Target	Baseline Year	Status
NO _x	Reduce 5% by Year 2026	2021	In progress
SO _x	Reduce 5% by Year 2026	2021	In progress
PM	Reduce 5% by Year 2026	2021	In progress

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG emissions from operation

Environmental Indicators	Unit	2021	2020
Direct emissions (Scope 1) ^(Note 1)	Kilogram of Carbon dioxide equivalent ("Kg of CO _{2e} ")	36,290	53,418
Indirect emissions (Scope 2) ^(Note 1, 2)	Kg of CO _{2e}	235,898,537	884,085,951
Other indirect emissions (Scope 3) ^(Note 2)	Kg of CO _{2e}	2,817	1,090
Total GHG emissions ^(Note 1)	Kg of CO _{2e}	235,937,644	884,140,459
Floor area ^(Note 3)	Square meter ("M ² ")	18,574	18,574
GHG emissions intensity ^(Note 1)	Kg of CO _{2e} /M ²	12,703	47,601

GHG emissions can be classified into three scopes:

Scope 1: Direct GHG emissions from the gasoline and diesel oil consumed by motor vehicles.

Scope 2: Indirect GHG emissions resulting from electricity purchased from power suppliers.

Scope 3: Other indirect GHG emissions resulting from paper waste disposed at landfills, water consumed and employees' business trips by aircraft of the Group.

Note 1: As the operations of the three big data centres in Sichuan, the PRC have been suspended since June 2021, the emissions in 2021 reduced significantly.

Note 2: The emission factors used to calculate the GHG emission are sourced from: Hong Kong Electric Sustainability Report 2020 and the Ministry of Ecology and Environment of People's Republic of China (2019).

Note 3: The total floor area includes the floor areas of Hong Kong office, Sichuan office and the 3 big data centres and staff dormitory in Sichuan, the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reduction target of GHG emissions intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
GHG emission intensity (Scope 1)	Reduce 5% by Year 2026	2021	In progress
GHG emission intensity (Scope 2)	Reduce 5% by Year 2026	2021	In progress
GHG emission intensity (Scope 3)	Reduce 5% by Year 2026	2021	In progress

No hazardous waste is generated in the operations of the offices and big data centres. Non-hazardous waste produced from the operations of the Group is mainly comprised of general office consumables and obsolete electronic equipment and parts.

Environmental Indicators	Unit	2021	2020
Waste			
Non-hazardous wastes produced in total	Kg	50,300	96,000
Intensity of non-hazardous wastes produced per square meter of floor area	Kg/M ²	2.71	5.17
Hazardous wastes produced in total	Kg	N/A	N/A
Intensity of hazardous wastes produced per square meter of floor area	Kg/M ²	N/A	N/A

Reduction target of intensity of hazardous and non-hazardous wastes produced

Environmental Indicators	Reduction Target	Baseline Year	Status
Non-hazardous intensity	Reduce 5% by Year 2026	2021	In progress

The target of the Group is to maintain zero generation of hazardous waste in the next five years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Solid waste of the Group is mainly produced in the daily business operation, including defective or obsolete electric cords and cables and processor unit cooling fans, daily paper consumption, office paper waste and food waste made by employees. All domestic waste is collected and disposed of by the property management office of the office buildings on a regular basis.

The Group is committed to reducing waste production. The Group encourages its employees to recycle stationery and reduce waste with an aim to prevent waste production at the initial stage. Moreover, the Group has adopted a digital operation method to centralise all documents and regularly educates its employees about environmental protection. For example, the employees are encouraged to go paperless as much as possible by limiting printouts, communicating via e-mail as opposed to fax, encouraging employees to print double-sided, reuse paper printed single-sided and set up recycling bins to minimise the disposal of wastes in order to save and reduce the use of paper and other natural resources.

The Group has established appropriate measures for the disposal of computers and related products such as printers and toner cartridges. In case it is necessary to dispose of an item, the Group encourages its employees to collect and classify the waste before disposing so as to reduce the negative impact on the environment.

During the Reporting Period, the Group complied with national and local laws and regulations relating to environmental protection and pollutant emissions during its course of operation, including but not limited to, Air Pollution Control Ordinance (Cap.311) and Waste Disposal Ordinance (Cap.354) in Hong Kong and the Environmental Protection Law of the PRC. The Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste. In addition, there was no fine or non-monetary sanction for non-compliance with relevant laws and regulations had been reported in the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2 Use of Resources

The Group acknowledges that its business activities have impact on the environment. The Group strives to achieve efficient utilization of resources and attaches great importance to employees' environmental awareness, and thus has put forth a number of initiatives with the goal of "green office", educating employees about how to fully utilise the resources and save energy. The Group aims at maximising the efficiency of its resources in commercial aspect while eliminating waste and contributing to the society in social aspect.

The Group also embraces its responsibility in environmental protection throughout the course of daily business operation and office administration. Apart from adhering to the principle of recycling and reducing use, the Group is committed to creating green offices to minimise the impact on the environment.

The Group has introduced green office and operation practices to reduce the energy consumption and enhance the efficiency of use of resources. A summary of the practices is shown as below:

- Electricity consumed by big data centres is generated from renewable energy source;
- Installing environmental protection and energy-saving equipment such as evaporative cooling pads in big data centres in order to reduce the electricity consumption;
- Adopting double-sided printing and promoting use of recycled paper;
- Widespread adoption of multi-function photocopiers (with printing, scanning and fax functions);
- Switching off unused lights and electric appliances to reduce energy consumption;
- Keeping the room temperature at a comfortable level and switching off the air conditioners when not necessary;
- Requiring employees to turn their computers and other devices to the sleep mode or switch them off when leaving the office; and
- Conducting regular maintenance for office equipment (such as air conditioners, computers, lights, refrigerators and paper shredders) to ensure normal operation.

The Group has installed energy-efficient fans and wet curtain paper in the big data centres as cooling facilities to maintain the centres at an ideal temperature. Wet curtain paper utilises natural water aiming to achieve energy saving.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Daily water consumption by employees in the offices during business hours is very limited. The domestic sewage of the Group does not include hazardous wastewater and is directly discharged to the municipal sewer pipeline. As the Group operates in office premises of which both of the water supply and discharge are solely controlled by the building management of the office premises, it is considered that provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. However, in order to build the awareness on water conservation, the Group promotes water saving practices in the workplace. It encourages employees to use resources properly in order to save water resource.

The major use of resources of the Group is electricity consumption for offices and big data centres. The below table shows the key environmental performance indicators regarding the Group's use of resources during the Year are shown in the table below:

Use of resources from operation

Environmental Indicators	Unit	2021	2020
Electricity consumption ^(Note 1)	kWh	412,331,700	1,545,461,222
Diesel consumption ^(Note 1,2)	kWh	17,061	29,509
Petrol consumption ^(Note 1,2)	kWh	116,859	160,363
Energy consumption in total ^(Note 1)	kWh	412,465,620	1,545,651,094
Energy consumption intensity ^(Note 1) (per square meter of floor area)	kWh/M ²	22,207	83,216
Water consumption in total	Cubic metre ("M ³ ")	1,574	1,168
Water consumption intensity (per square meter of floor area)	M ³ /M ²	0.09	0.06
Packaging materials used for finished products ^(Note 3)	Kg	N/A	N/A
Packaging materials consumption intensity	Kg/unit produced	N/A	N/A

Note 1: As operations of the three big data centres in Sichuan, the PRC have been suspended since June 2021, the energy consumption in 2021 reduced significantly.

Note 2: The conversion factor used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.

Note 3: No packaging material is consumed by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reduction target of energy and water consumption

Environmental Indicators	Reduction Target	Baseline Year	Status
Energy consumption intensity	Reduce 5% by Year 2026	2021	In progress
Water consumption intensity	Reduce 5% by Year 2026	2021	In progress

During the Reporting Period, the Group adopted a series of initiatives for efficient energy use and energy conservation. Details of such measures and the related results achieved are listed as follows:

Energy saving measures	Details and results achieved
Installation of evaporative cooling pad	The Group has installed wet curtain paper in the big data centres as cooling facilities to maintain the centres at an ideal temperature to reduce energy consumption.
Water conservation	The evaporative cooling pad installed in big data centres using same natural water which can reduce electricity consumption for processing water.

A3 The Environment and Natural Resources

The Group aims to conserve natural resources and is concerned with the environmental impact of its activities. As an ongoing commitment to good corporate citizenship, the Group recognises the responsibility in minimising the negative environmental impact of its business operations and its investment portfolio, in order to achieve a sustainable development for generating long-term values to its stakeholders and community as a whole.

The Group encourages all employees to participate in different kinds of recycling activities and minimizing the use of natural resources. The Group regularly assesses the environmental risks of its business, review the environmental practices and adopt preventive measures as necessary to reduce the risks, and ensure the compliance with relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A4 Climate Change

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation. The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group will immediately develop a response plan such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

During the Reporting Period, there is no climate-related risk, including physical and transitional risks, which have significant impact to the Group.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

Human Resources Practices

Employees are regarded as the greatest and valuable assets and core competitive advantage of the Company and also provide driving force for the continuous innovation of the Company. The Group strives to attract and retain talent. The Group has developed a written human resources policy and staff manual to govern the recruitment, promotion, discipline, working hours, leaves and other benefits of its employees, in accordance with the relevant laws and regulations.

The Group offers competitive remuneration packages to its employees, with discretionary bonuses issued based on individual performance and its business performance. A wide range of benefits including comprehensive medical and life insurance and retirement schemes are also provided to employees.

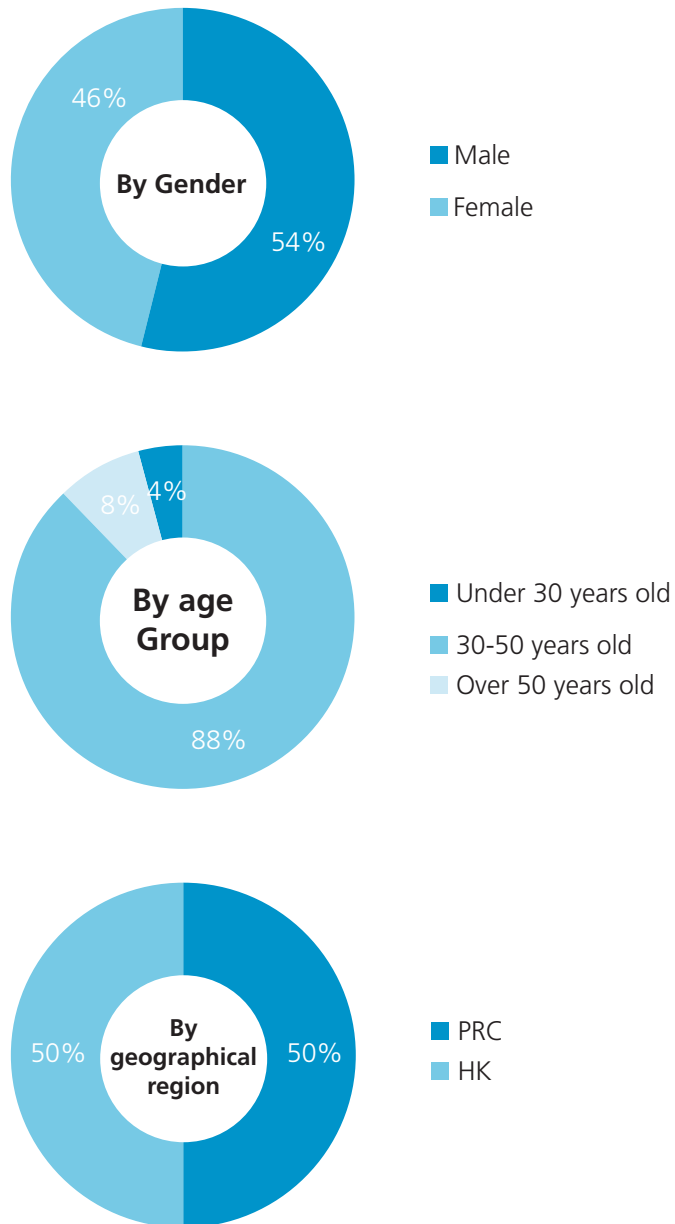
Equal Opportunity

The Company respects cultural and individual diversity. It believes that no one should be treated less favourably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, race, etc.). Opportunities for employment, training and career development are equally opened to all qualified employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Structure

As at 31 December 2021, the Group had a total of 24 employees (As at 31 December 2020: 98 employees) and all of them are full-time employees. The distribution of workforce classified by different categories is as follows:



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The Group's employee turnover rate during the Reporting Period are stated as follows ^(Note 1):

	2021
Turnover rate by gender	
Male	48%
Female	67%
Turnover rate by age	
Under 30 years old	100%
30-50 years old	40%
Over 50 years old	–
Turnover rate by geographical region	
Mainland China	52%
Hong Kong	54%

Note 1: The employee turnover rate is calculated based on the number of employees who cease employment in each category during the Reporting Period divided by the average number of employees in that category.

During the Reporting Period, the Group has strictly complied with all applicable laws and regulations of labour practices, including but not limited to the (i) Employment Ordinance (Cap.57); (ii) Minimum Wage Ordinance (Cap.608); (iii) Employees' Compensation Ordinance (Cap.282); (iv) Labour Law of the PRC; and (v) Law of the PRC on Employment Contracts. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

B2 Health and Safety

The Group is committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees. To foster and maintain a good, comfortable and healthy working environment, the Group has implemented a series of policies:

- Provide tailored-made safety training to the staff in carrying out the electrical works and machines;
- Provide and ensure the use of appropriate tools and personal protective equipment such as safety helmets to enable them to perform their task safely;
- Post safety procedures/signs and operation instructions in the office(s) and data centre sites;
- Exercise adequate monitoring and effective supervision to ensure that the safety precautionary measures are strictly implemented;

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- Maintain obstruction-free emergency exits in the workplace;
- Provide sufficient light at the workplace;
- Provide a workplace with moderate temperature; and
- Conduct regular safety inspection and training of fire prevention.

In order to manage environmental and social risks of the operation at data centre sites, the Group has implemented Safety Policy & Procedures 《安全制度及流程》 and 《電力安監部管理制度》 covering the areas including (i) operation and working safely; (ii) safe electrical work practices; (iii) reporting incidents that have led or may lead to damage or injury; and (iv) health and safety education and training policies.

The Company installed protective screens on monitors to reduce eye damage that may be caused by computer screens. Employees also constantly reminds each other to maintain appropriate viewing distance between their eyes and computer screens, maintain good posture when working and do stretching exercises during rest breaks.

The Group has installed closed-circuit televisions (the “CCTV”) at the big data centres. All these security systems and CCTV are controlled by the security team worked at the big data centre sites.

In response to the COVID-19 pandemic, the Group has been closely monitoring and following the policies and advice from local government and strictly implementing enhanced control measures at its workplaces to safeguard the hygiene and safety of the employees, including (i) establishing a contingency working team, reporting to general manager, to coordinate and reinforce prevention measures and ensure communication of accurate and up-to-date information with all employees; (ii) implementing work-from-home or job/shift arrangement and assignment of alternate work duties; (iii) establishing mandatory body temperature screening procedures; (iv) providing disposable protective face masks and hand sanitizer for its employees; and (v) conducting regular disinfection of offices and catering areas.

The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to health and safety during the course of operation. During the Reporting Period, no serious work injury incidents and none of work-related fatalities occurred in the Group. The Group was not aware of any material non-compliance with the relevant laws and regulations of Hong Kong and the PRC including but not limited to Occupational Safety and Health Ordinance of Hong Kong (Cap.509) and Work-Related Injury Insurance Regulation of the PRC that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards of the Group in the Year.

No non-compliance with law that resulted in significant fines or sanctions had been reported in the Year.

There were no work-related fatalities reported for the three years ended 31 December 2019, 2020 and 2021. During the Reporting Period, no lost days due to work injury were noted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3 Development and Training

The Group acknowledges the importance of training for the development of its employees as well as the Group. To help nurture professional talents and to promote overall efficiency, increase the morale and loyalty of the employees, the Group encourages and supports its employees in personal and professional training, through sponsoring training programmes, seminars, workshops and conferences, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. The Group believes this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

During the Reporting Period, the percentage of employees trained and the average training hours completed per employee are as follows:

	2021
Percentage of employees trained ^(Note 1)	100%
Percentage of employees trained by gender ^(Note 2)	
Male	54%
Female	46%
Percentage of employees trained by employee category ^(Note 2)	
Senior management	25%
Middle management	25%
General staff	50%
Average training hours completed per employee ^(Note 3)	3 hours
Average training hours completed per employee by gender ^(Note 4)	
Male	4 hours
Female	2 hours
Average training hours completed per employee by employee category ^(Note 4)	
Senior management	2 hours
Middle management	2 hours
General staff	4 hours

Note 1: Percentage of employees trained is calculated by dividing the number of employees who took part in training by the number of employees.

Note 2: Percentage of employees trained by category is calculated based on the number of employees trained in each category during the period divided by the number of employees who took part in training.

Note 3: Average training hours per employee is calculated by dividing the total number of training hours by the number of employees.

Note 4: Average training hours by categories is calculated by dividing the total number of training hours for such category by the number of employees in the corresponding category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4 Labour Standards

The Group strictly abides by the labour laws in the PRC and Hong Kong, including the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Ordinance of Hong Kong, and other related labour laws and regulations in the PRC and Hong Kong. To combat against illegal employment of child labour, underage workers and forced labour, the human resources department is responsible for recruitment requires the job applicants to provide valid identity documents prior to confirmation of employment, to ensure that all applicants are lawfully employable. The human resources department is responsible for monitoring and ensuring the compliance of the relevant laws and regulations including those that prohibit child labour and forced labour.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations including but not limited to (i) the Labour Law of the PRC; (ii) the Law of the PRC on Employment Contracts; (iii) the Law of the PRC on the Protection of Minors; (iv) the Provisions on the Prohibition of Using Child Labour of the PRC; (v) Employment Ordinance (Hong Kong); and (vi) the Employment of Children Regulations (Hong Kong) that prevent employment of child or forced labour by the Group. In addition, there was no fine or non-monetary sanction for non-compliance with relevant laws and regulations had been reported in the Year.

OPERATING PRACTICES

B5 Supply Chain Management

The Group attaches importance to integrity and has the same requirements for suppliers and partners. The Group will only choose reputable suppliers and partners with good business records, satisfactory products and services quality, and will not simply consider the cost. The Group strictly monitors the procurement process to ensure that there is no interests transfer or corruption of any kind.

In addition, the Group hopes that suppliers and business partners have similar practices in respect of environmental protection, employment, operating practice and other aspects with us. If the Group identifies any violation of the relevant environmental protection, employment and other laws, it will immediately suspend the cooperation with such suppliers and business partners. The Group will also evaluate the products and services provided by the supplier, check whether the supplier has fulfilled the product liability, report the relevant information to the relevant departments and management, and replace the supplier if necessary.

In the Year, the major suppliers for operations of big data centres are supply of electricity, electronic and IT equipment. The Group has signed agreements with its electricity suppliers which are mainly the local subsidiaries of the state-owned enterprise in stringent compliance with contractual requirements and applicable laws including Electric Power Law of the PRC and Regulations on Supply and Use of Electric Power. In order to ensure full-load operation of the big data centres, the Group maintains regular communication with local utility service providers in respect of resources allocation and application for increase or decrease in utility supply.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

During Year 2021, the number of suppliers of the Group by geographical region is as follows:

	Number of suppliers
Region	
Mainland China	8
Hong Kong	1

B6 Product Responsibility

The Group is principally engaged in the provision of data analysis and storage services, data processors leasing services and money lending business in Hong Kong. The provision of data analysis and storage services covering a full range from monitoring the average utilisation rate and working status of data processors to supervising the overall safety, security and quality of both physical environment and internet connection in the big data centres. The Group adheres to the highest standards of business ethics, while policies to assure that products and services responsibility are securely in place. These ethics underpin how the Group conducts business with its customers. Each customer is provided with a monthly report on operation results of its data processors. In the event of any unusual condition reported on the data processors, the relevant customer will receive an immediate notification and follow-up inspection and maintenance services upon request. The Group's comprehensive management software for the operation of big data centres enables its customers to remotely monitor their data processors and obtain real-time information on the average computing capacity and utilization and operating time of their data processors.

The safety and quality of the products and services are the Group's primary strategic objective. The Group consistently reassesses the relevance of, and continually refines, its standards throughout the entire services and supply chain.

The Group is committed to protecting the privacy and confidentiality of the personal data of its business partners. All confidential data related to the Group's business, financial and customer information are securely protected and only used for internal purpose or purposes consistent with those identified in the contracts. In addition, confidentiality agreements must be signed between the Group and its business partners to protect customers' data and privacy.

The Group recognises the importance of intellectual property protection, therefore it is dedicated to protecting and enforcing the Group's own intellectual property rights as well as the intellectual property rights of third party. The Group will ensure terms in relation to intellectual property rights are included in the cooperation agreements between the Group and its business partners.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly abides by the provisions of the law and attaches great importance to the privacy of personal data to resolutely maintain and protect personal information. Only personal information needed for the business are collected and used subject to purposes mentioned in the course of collection unless with agreement from customers. The Group will not transfer or disclose any personal data to any entities other than the members of the Group without the consent, unless otherwise required by the laws or notification is given to customers in advance.

During the Reporting Period, there were no recalls of products due to safety and health reasons and no complaints related to product and service were received.

During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations that have a significant impact relating to the quality, health and safety and privacy matters relating to products and services provided. No significant fines had been reported in the Year.

B7 Anti-corruption

The Group aims to maintain the highest standards of openness, uprightness and accountability and all its staff are expected to observe the highest standards of ethical, personal and professional conduct. The Group does not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of its business operations.

In addition to the code of conduct on anti-bribery and anti-corruption, the Group has implemented a whistleblowing policy for encouraging the reporting of suspected business irregularities. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

The Group is not aware of any material non-compliance with the Anti-Unfair Competition Law of the PRC, Prevention of Bribery Ordinance of Hong Kong and other applicable laws and regulations that has a significant impact relating to bribery, extortion, fraud and money laundering in the Year. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

The Group provides anti-corruption education and training (through webcast and circulation of e-training materials) to its directors and staff on a regular basis to raise their awareness towards ethical and corruption issues.

B8 Community Investment

As a corporate citizen, the Group promotes social contributions throughout its staff to the local communities in which it operates. The Group places great emphasis on cultivating social responsibility awareness among its staff and encouraging them to better serve our community at work and during their personal time. The Group will try to maximise its social investments as possible in order to create a more favourable environment for the community and the business.

During the Reporting Period, the Group made donations of RMB85,000 to local official for supporting the maintenance of waste incineration facility.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF LOTO INTERACTIVE LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Loto Interactive Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 73 to 149, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, plant and equipment

Refer to note 16 to the consolidated financial statements.

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately HK\$43,069,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group’s impairment test involves application of judgement and is based on assumptions and estimates.

INDEPENDENT AUDITOR'S REPORT

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projection;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

Loan receivables

Refer to note 24 to the consolidated financial statements.

The Group tested the amount of loan receivables for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK\$30,000,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's relationship and transaction history with the borrower;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Checking subsequent settlements from the borrowers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for loan receivables is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Trade receivables

Refer to note 25 to the consolidated financial statements.

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of approximately HK\$10,125,000 as at 31 December 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Wan Ho Yuen

Audit Engagement Director

Practising Certificate Number P04309

Hong Kong, 23 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	8	180,721	382,955
Cost of sales and service rendered		(194,487)	(342,213)
Gross (loss)/profit		(13,766)	40,742
Interest income		291	444
Other income and gains	9	2,717	1,773
Selling expenses		(28)	(105)
Administrative expenses		(56,714)	(75,178)
Impairment of property, plant and equipment		(212,361)	–
Impairment of right-of-use assets		(3,018)	–
Impairment of goodwill		(11,867)	–
Impairment of intangible assets		(433)	–
Impairment of trade and other receivables		–	(1,905)
Other expenses		(574)	(4,568)
Share of profit/(losses) of associates		1,230	(1,112)
Finance costs	10	(584)	(448)
LOSS BEFORE TAX		(295,107)	(40,357)
Income tax credit/(expense)	12	2,771	(2,898)
LOSS FOR THE YEAR	13	(292,336)	(43,255)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		14,397	(83)
		14,397	(83)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		7,414	16,727
		7,414	16,727
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		21,811	16,644
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(270,525)	(26,611)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(286,686)	(46,767)
Non-controlling interests		(5,650)	3,512
		(292,336)	(43,255)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(264,640)	(31,261)
Non-controlling interests		(5,885)	4,650
		(270,525)	(26,611)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cents)			
— Basic and diluted	15	(56.54)	(14.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	43,069	263,269
Right-of-use assets	17	4,185	6,409
Goodwill	18	–	11,703
Intangible assets	19	–	–
Investments in associates	21	3,698	2,431
Investment in a joint venture	22	–	–
Equity investments at fair value through other comprehensive income	23	–	5,057
Loan receivables	24	–	30,000
		50,952	318,869
CURRENT ASSETS			
Loan receivables	24	30,000	–
Trade receivables	25	10,125	8,400
Prepayments, deposits and other receivables	26	38,600	83,018
Cash and cash equivalents	27	35,843	44,252
		114,568	135,670
CURRENT LIABILITIES			
Trade payables	28	1,982	4,611
Accruals and other payables	29	14,650	25,734
Lease liabilities	30	5,851	3,360
Amount due to a related company	31	–	467
Tax payable		3,278	7,421
		25,761	41,593
NET CURRENT ASSETS		88,807	94,077
TOTAL ASSETS LESS CURRENT LIABILITIES		139,759	412,946
NON-CURRENT LIABILITIES			
Lease liabilities	30	2,758	3,236
		2,758	3,236
NET ASSETS		137,001	409,710

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	54,838	37,902
Reserves	33	82,395	280,764
		137,233	318,666
Non-controlling interests		(232)	91,044
TOTAL EQUITY		137,001	409,710

The consolidated financial statements on pages 73 to 149 were approved and authorised for issue by the board of directors on 23 March 2022 and are signed on its behalf by:

Approved by:

Yan Hao
Director

Huang Lilan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium [#] HK\$'000	Share-based payment reserve [#] HK\$'000	Other reserve** HK\$'000	Exchange reserve [#] HK\$'000	Equity investment revaluation reserve [#] HK\$'000	Accumulated losses [#] HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020	31,586	329,194	20,881	(5,255)	3,692	(12,570)	(37,657)	329,871	12,876	342,747
(Loss)/Profit for the year	-	-	-	-	-	-	(46,767)	(46,767)	3,512	(43,255)
Other comprehensive income/ (loss) for the year	-	-	-	-	15,589	(83)	-	15,506	1,138	16,644
Total comprehensive income/ (loss) for the year	-	-	-	-	15,589	(83)	(46,767)	(31,261)	4,650	(26,611)
Issue of shares on placement (Note 32 (b))	6,316	9,712	-	-	-	-	-	16,028	-	16,028
Equity-settled share-based payment expense (Note 34)	-	-	4,028	-	-	-	-	4,028	-	4,028
Cancellation of share option scheme	-	-	(15,539)	-	-	-	15,539	-	-	-
Non-controlling interests arising from increase in paid-up capital	-	-	-	-	-	-	-	-	78,895	78,895
Loss on deregistration of subsidiaries	-	-	-	-	-	-	-	-	(5,377)	(5,377)
At 31 December 2020	37,902	338,906	9,370	(5,255)	19,281	(12,653)	(68,885)	318,666	91,044	409,710
At 1 January 2021	37,902	338,906	9,370	(5,255)	19,281	(12,653)	(68,885)	318,666	91,044	409,710
Loss for the year	-	-	-	-	-	-	(286,686)	(286,686)	(5,650)	(292,336)
Other comprehensive income/ (loss) for the year	-	-	-	-	7,649	14,397	-	22,046	(235)	21,811
Total comprehensive income/ (loss) for the year	-	-	-	-	7,649	14,397	(286,686)	(264,640)	(5,885)	(270,525)
Issuance of shares on subscription (Note 32 (c))	16,936	83,618	-	-	-	-	-	100,554	-	100,554
Purchase of non-controlling interests (Note 35 (a))	-	-	-	-	-	-	(18,966)	(18,966)	(85,391)	(104,357)
Equity-settled share-based payment expense	-	-	1,619	-	-	-	-	1,619	-	1,619
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(1,744)	1,744	-	-	-
At 31 December 2021	54,838	422,524	10,989	(5,255)	26,930	-	(372,793)	137,233	(232)	137,001

* Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions.

These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(295,107)	(40,357)
Adjustments for:		
Equity-settled share-based payment expense	1,619	4,028
Depreciation	32,858	41,680
Amortisation of intangible assets	178	5,667
Depreciation of right-of-use assets	5,501	5,257
Share of losses of associates	(1,230)	1,112
Impairment of property, plant and equipment	212,361	–
Impairment of right-of-use assets	3,018	–
Impairment of goodwill	11,867	–
Impairment of intangible assets	433	–
Impairment of trade receivables	–	837
Impairment of other receivables	–	1,068
Interest income	(291)	(444)
Finance costs	584	448
Gain on disposal of items of property, plant and equipment	(1,505)	–
Rental concession	(145)	(833)
Loss on deregistration of subsidiaries	–	(5,377)
Operating cash flows before working capital changes	(29,859)	13,086
Change in trade receivables	(1,725)	10,712
Change in prepayments, deposits and other receivables	44,418	(42,263)
Change in trade payables	(2,629)	(19,689)
Change in accruals and other payables	(11,084)	1,014
Cash used in operating activities	(879)	(37,140)
Income taxes paid	(1,372)	(33)
Lease interest paid	(469)	(295)
Net cash flows used in operating activities	(2,720)	(37,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20,708)	(125,461)
Proceeds from disposal of items of property, plant and equipment	3,874	–
Purchase of intangible assets	(611)	–
Proceeds from disposal of equity investments at fair value through other comprehensive income	19,454	–
Purchase of non-controlling interests	(104,357)	–
Interest received	291	444
Repayment from loan receivables	–	60,881
Grant of loan receivables	–	(30,000)
Net cash flows used in investing activities	(102,057)	(94,136)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to holding company	–	(1)
Repayment to related parties	(467)	(10,913)
Repayment of lease liabilities	(4,120)	(4,130)
Proceeds from issue of shares	105,000	16,423
Share issue expenses paid	(4,446)	(395)
Contributions from non-controlling shareholders	–	78,895
Interest paid	(115)	(153)
Net cash flows generated from financing activities	95,852	79,726
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	44,252	95,030
Net foreign exchange difference	516	1,100
Cash and cash equivalents at end of year	35,843	44,252
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,843	44,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Loto Interactive Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 17 May 2002. The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

As at 31 December 2021, the Company’s immediate holding company is BIT Mining Limited (formerly known as 500.com Limited) (“Holding Company”), which is a company incorporated in the Cayman Islands with its shares listed on the New York Stock Exchange (Stock Code: BTCM).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of subsidiaries that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiaries and (ii) the Company's share of the net assets of that subsidiaries plus any remaining goodwill relating to that subsidiaries and any related foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Joint arrangements *(continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars, which is the Company's presentation currency. The functional currency of the Company is Renminbi. The directors consider that choosing Hong Kong dollars as the presentation currency best suits the needs of the shareholders and investors.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency translation *(continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate are as follows:

Leasehold improvement	20% – 75%
Machinery and equipment	20% – 33.33%
Furniture, fixtures and equipment	20% – 50%
Motor vehicles	10% – 20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	50%
Land and buildings	33.33% – 58.53%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

The Group as lessee (continued)

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Equity investments at fair value through other comprehensive income.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

(p) Other revenue

Interest income is recognised using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiaries and fellow subsidiaries is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
(continued)
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

(v) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Impairment of loan and trade receivables

The Group makes impairment loss for loan and trade receivables based on assessments of the recoverability of the loan and trade receivables, including the current creditworthiness and the past collection history of each borrower. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the loan and trade receivables and impairment loss expenses in the year in which such estimate has been changed.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK\$Nil (2020: approximately HK\$11,703,000).

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, interest rate risk and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

At 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to the perform an obligation by the counterparties arise from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 92.5% (2020: 91.3%) of the Group's trade receivables are due from the Group's three customers (2020: three customers). The principal activities of the Group are mainly provision of big data centre services and use of storage places. In respect of these customers, given their good repayment history, the directors of the Company consider that the credit risk associated with the balances of the customers is low.

The Group also has concentration of credit risk as 100% (2020: 100%) of the Group's loan receivables is a loan granted to an independent third party which is secured by a personal guarantee and a collateral of a property in PRC (2020: personal guarantee and a collateral of a property in PRC). In view of the counterparty never fail to make contractual payments, the directors of the Company consider that the credit risk associated with the balance of loan receivable is low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Group uses two categories for non-trade loan receivable which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Total HK\$'000
<i>At 31 December 2021</i>		
Trade payables	1,982	1,982
Accruals and other payables	14,650	14,650
	16,632	16,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year HK\$'000	Total HK\$'000
<i>At 31 December 2020</i>		
Trade payables	4,611	4,611
Accruals and other payables	25,734	25,734
Amount due to a related company	467	467
	30,812	30,812

(d) Interest rate risk

The management of the Group considered that the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balance is considered minimal. Accordingly, no sensitivity analysis is prepared and presented.

(e) Price risk

The Group's equity investments at fair value through other comprehensive income are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2020, if the share prices of the investments increase/decrease by 10%, the equity investment revaluation reserve would have been approximately HK\$506,000 higher/lower, arising as a result of the fair value gain/loss of the investments. During the year ended 31 December 2021, the Company disposed of such equity investments and at 31 December 2021 the Company is no longer exposed to equity security price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT (continued)

(f) Categories of financial instruments at 31 December 2021

	2021 HK\$'000	2020 HK\$'000
<i>Financial assets:</i>		
Equity investments at fair value through other comprehensive income	–	5,057
<u>Financial assets at amortised cost:</u>		
Loan receivables	30,000	30,000
Trade receivables	10,125	8,400
Financial assets included in prepayments, deposits and other receivables	13,106	34,114
Cash and cash equivalents	35,843	44,252
Total	89,074	121,823
<i>Financial liabilities:</i>		
<u>Financial liabilities at amortised cost:</u>		
Trade payables	1,982	4,611
Financial liabilities included in accruals and other payables	14,650	25,734
Amount due to a related company	–	467
Total	16,632	30,812

(g) Fair value

Except as disclosed in note 23 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2021:

Description	Fair value measurements using:	2021
	Level 1 HK\$'000	Total HK\$'000
Recurring fair value measurements:		
<i>Equity investments at fair value through other comprehensive income</i>		
Listed securities in United States of America ("US")	–	–
Total recurring fair value measurements	–	–

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For the year ended 31 December 2021

6. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2021: (continued)

Description	Fair value measurements	
	using: Level 1 HK\$'000	2020 Total HK\$'000
Recurring fair value measurements:		
<i>Equity investments at fair value through other comprehensive income</i>		
Listed securities in US	5,057	5,057
Total recurring fair value measurements	5,057	5,057

The total gains/losses recognised in other comprehensive income are presented in fair value changes of equity investments at fair value through other comprehensive income in the statement of profit or loss and other comprehensive income.

7. OPERATING SEGMENT INFORMATION

(a) Reportable segments

The chief operating decision-maker has been identified as the board of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three (2020: three) reportable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Provision of big data centre services in PRC ("PRC Big Data Centre Services")
- Provision of big data centre services outside PRC ("Non-PRC Big Data Centre Services")
- Money lending business ("Money Lending Business")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

(i) Information about reportable segment profit or loss, assets and liabilities:

Year ended 31 December 2021	Non-PRC Big Data Centre Services HK\$'000	PRC Big Data Centre Services HK\$'000	Money Lending Business HK\$'000	Total HK\$'000
Revenue from external customers	5,655	171,721	3,000	180,376
Segment profit/(loss)	97	(267,329)	342	(266,890)
Depreciation	273	30,249	–	30,522
Impairment of property, plant and equipment	–	210,536	–	210,536
Impairment of right-of-use assets	–	263	–	263
Impairment of goodwill	–	11,867	–	11,867
Impairment of intangible assets	–	433	–	433
Additions to segment non-current assets	12,012	3,309	–	15,321
As at 31 December 2021				
Segment assets	14,911	104,383	32,292	151,586
Segment liabilities	(29)	(11,501)	(42)	(11,572)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

(i) Information about reportable segment profit or loss, assets and liabilities: (continued)

Year ended 31 December 2020	PRC	Money	Total
	Big Data Centre Services HK\$'000	Lending Business HK\$'000	
Revenue from external customers	379,658	2,250	381,908
Segment loss	(4,766)	(203)	(4,969)
Depreciation	39,087	–	39,087
Additions to segment non-current assets	121,661	–	121,661
As at 31 December 2020			
Segment assets	350,053	32,258	382,311
Segment liabilities	(29,310)	–	(29,310)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2021 HK\$'000	2020 HK\$'000
Revenue		
Total revenue of reportable segments	180,376	381,908
Other revenue	345	1,047
Consolidated revenue	180,721	382,955
Profit or loss		
Total loss of reportable segment	(266,890)	(4,969)
Other loss	(1,225)	(3,848)
Unallocated amounts:		
Share of profit/(loss) of associates	1,230	(1,112)
Equity-settled share-based payment expense	(1,619)	(4,028)
Salaries and other benefits	(10,844)	(14,046)
Depreciation	(2,336)	(2,544)
Depreciation charge of right-of-use assets	(3,705)	(4,641)
Impairment of property, plant and equipment	(1,825)	–
Impairment of right-of-use assets	(2,755)	–
Legal and consultation fee	(5,138)	(2,264)
Impairment of trade receivables	–	(837)
Impairment of other receivables	–	(1,068)
Donation	–	(1,000)
Consolidated loss before tax for the year	(295,107)	(40,357)
Assets		
Total assets of reportable segments	151,586	382,311
Other assets	6,024	18,353
Unallocated amounts:		
Property, plant and equipment	–	4,837
Right-of-use assets	–	5,497
Investments in associates	3,698	2,431
Equity investments at fair value through other comprehensive income	–	5,057
Cash and cash equivalents	3,317	19,866
Prepayments	895	16,187
Consolidated total assets	165,520	454,539

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For the year ended 31 December 2021

7. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities: (continued)

	2021 HK\$'000	2020 HK\$'000
Liabilities		
Total liabilities of reportable segments	(11,572)	(29,310)
Other liabilities	(2,986)	(4,163)
Unallocated amounts:		
Amount due to a shareholder of a joint venture	(2,334)	(2,334)
Tax payable	(3,278)	(3,278)
Lease liabilities	(8,349)	(5,744)
Consolidated total liabilities	(28,519)	(44,829)

(b) Geographical information

The following tables provide an analysis of the Group's revenue from external customers and non-current assets excluding financial assets.

	2021 HK\$'000	2020 HK\$'000
Revenue from external customers		
The PRC except Hong Kong	175,066	382,955
Hong Kong	4,374	–
Kazakhstan	1,281	–
	180,721	382,955

	2021 HK\$'000	2020 HK\$'000
Non-current assets, excluding financial assets		
The PRC except Hong Kong	29,965	273,479
Hong Kong	10,233	10,318
Kazakhstan	10,754	–
British Virgin Island ("BVI")	–	15
	50,952	283,812

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For the year ended 31 December 2021

7. OPERATING SEGMENT INFORMATION (continued)

(c) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2021 HK\$'000	2020 HK\$'000
Customer A	37,886	N/A [#]
Customer B	19,972	63,167
Customer C	N/A [*]	73,407
Customer D	N/A [*]	56,243
Customer E	N/A [*]	42,455
	57,858	235,272

All the revenue are generated from Big Data Centre Services segment.

[#] Revenue from this customer was less than 10% of the Group's revenue for the year ended 31 December 2020.

^{*} Revenue from these customers were less than 10% of the Group's revenue for the year ended 31 December 2021.

8. REVENUE

	2021 HK\$'000	2020 HK\$'000
Provision of services and solutions for the distribution of lottery products	–	30
Distribution of mobile gaming	345	1,017
Provision of big data centre services	177,376	379,658
Revenue from contracts with customers	177,721	380,705
Interest income	3,000	2,250
Total revenue	180,721	382,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

Segments	Big Data Centre Services HK\$'000	Online Game Business HK\$'000	2021 Total HK\$'000
<i>Geographical markets</i>			
The PRC	171,721	345	172,066
Hong Kong	4,374	–	4,374
Kazakhstan	1,281	–	1,281
	177,376	345	177,721
<i>Major products/service</i>			
Provision of big data centre services	177,376	–	177,376
Distribution of mobile gaming	–	345	345
	177,376	345	177,721
<i>Timing of revenue recognition</i>			
At a point in time	–	345	345
Over time	177,376	–	177,376
	177,376	345	177,721

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8. REVENUE (continued)

Segments	Big Data Centre Services HK\$'000	Online Game Business HK\$'000	Lottery Business HK\$'000	2020 Total HK\$'000
<i>Geographical markets</i>				
The PRC	379,658	1,017	30	380,705
<i>Major products/service</i>				
Provision of big data centre services	379,658	–	–	379,658
Distribution of mobile gaming	–	1,017	–	1,017
Provision of services and solutions for the distribution of lottery products	–	–	30	30
	379,658	1,017	30	380,705
<i>Timing of revenue recognition</i>				
At a point in time	–	1,017	30	1,047
Over time	379,658	–	–	379,658
	379,658	1,017	30	380,705

Big Data Centre Services

The Group operates big data centres (the “Big Data Centres”), providing data analysis, storage services and ancillary administrative and consulting services.

Revenue generated from the Big Data Centres consists of services fees and/or rental income charged on the users for provision of big data centre services and use of storage places.

Services income is rendered and there is no unfulfilled obligation that could affect the customer’s acceptance of the service.

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8. REVENUE (continued)

Online Game Business

The Group is in cooperation with various reputable companies in the online game industry to distribute online mobile games.

Revenue is recognised when the control of the goods is transferred to customers.

Lottery Business

The Group sold lottery terminals and parts to the customers. Sales were recognised when control of the products had transferred, being when the products were delivered to a customer, there was no unfulfilled obligation that could affect the customer's acceptance of the products and the customer had obtained legal titles to the products.

Sales to customers were normally made with credit terms of 60 days. For new customers, deposits or cash on delivery may have been required. Deposits received were recognised as a contract liability.

A receivable was recognised when the products are delivered to the customers as this was the point in time that the consideration was unconditional because only the passage of time was required before the payment was due.

9. OTHER INCOME AND GAINS

	2021 HK\$'000	2020 HK\$'000
Waiver of other payables	654	–
Gain on disposal of property, plant and equipment	1,505	–
Rental concession	145	833
Wage subsidies from employment support scheme	43	756
Others	370	184
	2,717	1,773

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For the year ended 31 December 2021

10. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Lease interests	469	295
Interests on amount due to a related company	115	153
	584	448

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM Rules, and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK\$'000	2020 HK\$'000
Fees	1,750	1,750
Other emoluments		
Salaries, allowances and benefits in kind	1,750	2,708
Bonus	21	21
Pension scheme contributions	31	34
Equity-settled share-based payment expense	767	2,519
	4,319	7,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The emoluments of each director and the chief executive, on a named basis, are set out below:

	For the year ended 31 December 2021					
	Fees	Salaries, allowances and benefits	Bonus [#]	Pension scheme contributions	Equity-settled share based payment expense	Total emoluments
	HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Independent non-executive directors:</i>						
Dr. Lu Haitian	250	-	-	-	20	270
Mr. Lin Sen	250	-	-	-	17	267
Mr. Huang Jian ¹	250	-	-	-	12	262
	750	-	-	-	49	799
<i>Executive directors:</i>						
Ms. Huang Lilan ²	250	250	21	13	82	616
	250	250	21	13	82	616
<i>Non-executive directors:</i>						
Mr. Yuan Qiang ⁷	125	-	-	-	127	252
Ms. Zhang Jing ⁴	250	-	-	-	202	452
Mr. Yang Xianfeng ⁸	125	-	-	-	116	241
	500	-	-	-	445	945
<i>Chief executive:</i>						
Mr. Yan Hao ⁶	250	1,500	-	18	191	1,959
	250	1,500	-	18	191	1,959
	1,750	1,750	21	31	767	4,319

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11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	For the year ended 31 December 2020					
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonus [#] HK\$'000	Pension scheme contributions HK\$'000	Equity- settled share based payment expense HK\$'000	Total emoluments HK\$'000
<i>Independent non-executive directors:</i>						
Dr. Lu Haitian	250	–	–	–	47	297
Mr. Lin Sen	250	–	–	–	47	297
Mr. Huang Jian ¹	–	–	–	–	16	16
	500	–	–	–	110	610
<i>Executive directors:</i>						
Ms. Huang Lilan ²	250	250	21	13	234	768
	250	250	21	13	234	768
<i>Non-executive directors:</i>						
Mr. Pan Zhengming ³	–	–	–	–	94	94
Mr. Yuan Qiang ⁷	250	–	–	–	724	974
Ms. Zhang Jing ⁴	250	–	–	–	354	604
	500	–	–	–	1,172	1,672
<i>Chief executive:</i>						
Mr. Wang Bingzhong ⁵	250	1,958	–	15	724	2,947
Mr. Yan Hao ⁶	250	500	–	6	279	1,035
	500	2,458	–	21	1,003	3,982
	1,750	2,708	21	34	2,519	7,032

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

[#] The bonus is approved by the Remuneration Committee, having regard to the individual's contribution to the Group.

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11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Notes:

1. Appointed on 7 August 2020.
2. Included in remuneration packages under the position of chief financial officer of the Company for the year ended 31 December 2021.
3. Resigned on 2 January 2020.
4. Appointed on 2 January 2020.
5. Resigned on 31 October 2020.
6. Resigned as independent non-executive director on 7 August 2020, appointed as executive director and chief executive officer on 1 September 2020.
7. Resigned on 30 June 2021.
8. Appointed on 30 June 2021.

(b) FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The five highest paid employees of the Group during the year included one director and one chief executive (2020: two directors and two chief executives), details of whose remuneration are included in note 11(a) above. Details of the remuneration for the year of the remaining three (2020: one) highest paid employee who is neither a director nor chief executive of the Company is as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	3,504	2,400
Bonus	292	200
Pension scheme contributions	54	17
Equity-settled share-based payment expense	4	–
	3,854	2,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(b) FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil – HK\$1,000,000	2	–
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,000 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,000 – HK\$3,000,000	1	1

12. INCOME TAX

No provision for Hong Kong profits tax has been made as the Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the year (2020: Nil).

Pursuant to the PRC Corporate Income Tax Law effective on 1 January 2008, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% (2020: 25%) on their respective taxable income for the year ended 31 December 2021. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2021	2020
	HK\$'000	HK\$'000
Current – Mainland China		
Charge for the year	–	3,937
Over-provision in prior years	(2,771)	–
Deferred tax	–	(1,039)
Total tax (credit)/expense for the year	(2,771)	2,898

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12. INCOME TAX (continued)

The reconciliation between the income tax (credit)/expense and the product of profit before tax multiplied by the statutory rates for the countries (or jurisdictions) is as follows:

	2021 HK\$'000	2020 HK\$'000
Loss before tax	(295,107)	(40,357)
Tax at the weighted average tax rate of 16.5% to 25% (2020: 16.5% to 25%)	(63,531)	(6,586)
(Profit)/Loss attributable to a joint venture and associates	(308)	278
Tax effect of income that is not taxable	(477)	(875)
Tax effect of expenses that are not deductible	56,920	2,241
Tax effect of tax losses not recognised	7,396	7,840
Over-provision in prior years	(2,771)	–
Income tax (credit)/expense	(2,771)	2,898

At 31 December 2021, the Group had unused tax losses of HK\$409,009,000 (2020: HK\$312,258,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

Included in unrecognised tax losses are losses of HK\$96,855,000 (2020: HK\$42,586,000) that are allowed to be carried forward and utilised against the taxable income of subsequent years. The loss carryforward period cannot exceed 5 years and expires between 2022 and 2026. Other losses of HK\$312,154,000 (2020: HK\$269,672,000) may be carried forward indefinitely.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	Notes	2021 HK\$'000	2020 HK\$'000
Auditors' remuneration		670	720
Cost of sales and service rendered		194,487	342,213
Staff costs (including directors' remuneration):			
Salaries and other benefits		22,284	27,271
Bonus		690	1,851
Pension scheme contributions		1,119	522
Equity-settled share option expense		1,619	4,028
		25,712	33,672
Depreciation (included in cost of sales and service rendered)		27,387	38,513
Depreciation		5,471	3,167
Depreciation charge of right-of-use assets	17	5,501	5,257
Gain on disposal of items of property, plant and equipment		(1,505)	–
Net exchange losses		470	1,339
(Reversal of)/Impairment of investments in associates		(937)	1,047
Impairment of property, plant and equipment	16	212,361	–
Impairment of goodwill	18	11,867	–
Impairment of intangible assets	19	433	–
Impairment of trade receivables	25	–	837
Impairment of other receivables	26	–	1,068

14. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. LOSS PER SHARE

The calculation of the basic earnings per share amount is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of approximately 507,084,000 (2020: 330,357,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted earnings per share is based on the following:

	2021 HK\$'000	2020 HK\$'000
<i>Loss</i>		
Loss for the purpose of calculating basic and diluted earnings per share	(286,686)	(46,767)
	2021 '000	2020 '000
<i>Number of shares</i>		
Weighted average number of ordinary shares in issue during the year for the purposes of the basic and diluted loss per share	507,084	330,357

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16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 31 December 2021						
<i>COST:</i>						
At 1 January 2021	299	17,579	306,699	694	2,684	327,955
Additions	-	11,736	8,793	179	-	20,708
Transfer	(302)	-	203	99	-	-
Disposal	-	(5,850)	(2,954)	-	-	(8,804)
Exchange realignment	3	331	8,775	16	24	9,149
At 31 December 2021	-	23,796	321,516	988	2,708	349,008
<i>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</i>						
At 1 January 2021	-	7,520	56,325	354	487	64,686
Provided during the year	-	4,726	27,658	182	292	32,858
Impairment loss	-	12,627	199,549	60	125	212,361
Disposal	-	(5,850)	(585)	-	-	(6,435)
Exchange realignment	-	83	2,376	7	3	2,469
At 31 December 2021	-	19,106	285,323	603	907	305,939
<i>CARRYING AMOUNT:</i>						
At 31 December 2021	-	4,690	36,193	385	1,801	43,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 31 December 2020						
<i>COST:</i>						
At 1 January 2020	70,836	6,628	104,124	478	2,530	184,596
Additions	117,270	4,332	3,567	187	105	125,461
Transfer	(188,387)	6,192	182,195	–	–	–
Exchange realignment	580	427	16,813	29	49	17,898
At 31 December 2020	299	17,579	306,699	694	2,684	327,955
<i>ACCUMULATED DEPRECIATION:</i>						
At 1 January 2020	–	4,147	15,520	164	245	20,076
Provided during the year	–	3,310	37,949	182	239	41,680
Exchange realignment	–	63	2,856	8	3	2,930
At 31 December 2020	–	7,520	56,325	354	487	64,686
<i>CARRYING AMOUNT:</i>						
At 31 December 2020	299	10,059	250,374	340	2,197	263,269

The Group carried out reviews of the recoverable amount of its machinery and equipment in 2021 as a result of suspension of power supply to the three big data centres operated by our subsidiaries in PRC. These assets are used in the Group's PRC Big Data Centre Services segment. The reviews led to the recognition of an impairment loss of approximately HK\$199,549,000, that has been recognised in profit or loss. The recoverable amount of the relevant assets of HK\$36,193,000 has been determined on the fair value less costs of disposal using market comparable approach (level 2 fair value measurements). The key assumption for the market comparable approach method is that regarding the price of metal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 HK\$'000	2020 HK\$'000
At 31 December:		
Right-of-use assets		
– Land use rights	–	112
– Land and buildings	4,185	6,297
	4,185	6,409
Lease commitments of short-term leases	–	14

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

– Less than 1 year	6,125	3,610
– Between 1 and 2 years	2,801	2,916
– Between 2 and 5 years	–	400
	8,926	6,926

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For the year ended 31 December 2021

17. LEASES AND RIGHT-OF-USE ASSETS (continued)

	2021 HK\$'000	2020 HK\$'000
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land use rights	113	132
– Land and buildings	5,388	5,125
	5,501	5,257
Lease interests	469	295
Expenses related to short-term leases	–	32
Impairment of right-of-use assets	3,018	–
Total cash outflow for leases	4,589	4,457
Additions to right-of-use assets	6,278	7,081

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Group carried out reviews of the recoverable amount of its right-of-use assets in 2021 as a result of suspension of power supply to the three big data centres operated by our subsidiaries in PRC. These assets are used in the Group's PRC Big Data Centre Services segment. The reviews led to the recognition of an impairment loss of HK\$3,018,000, that has been recognised in profit or loss. The recoverable amount of the relevant assets of HK\$4,185,000 has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 21.5 per cent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. GOODWILL

	HKS'000
Cost	
At 1 January 2020	10,996
Exchange realignment	707
At 31 December 2020 and 1 January 2021	11,703
Exchange realignment	344
At 31 December 2021	12,047
Accumulated impairment losses	
Impairment loss recognised in the year ended 31 December 2020 and balance at 31 December 2020 and 1 January 2021	–
Impairment loss recognised in the current year	11,867
Exchange differences	180
At 31 December 2021	12,047
Carrying amount	
At 31 December 2021	–
At 31 December 2020	11,703

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18. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2021 HK\$'000	2020 HK\$'000
Provision of big data service: Sichuan Lecaiyuntian Internet Technology Co., Ltd * ("Sichuan Lecaiyuntian")	–	11,703

* The company registered as limited liability company under PRC law and the English name is for identification only.

The recoverable amounts of the CGUs are determined on the basis of their fair value less costs of disposal using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 0% (2020: 0%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's provision of big data service is 21.1% (2020: 21.1%).

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For the year ended 31 December 2021

19. INTANGIBLE ASSETS

	Lease benefit HK\$'000	Data analysis system (purchased) HK\$'000	Total HK\$'000
<i>COST:</i>			
At 1 January 2020	4,612	2,088	6,700
Exchange realignment	6	134	140
At 31 December 2020 and 1 January 2021	4,618	2,222	6,840
Additions	–	611	611
Exchange realignment	142	74	216
At 31 December 2021	4,760	2,907	7,667
<i>ACCUMULATED AMORTISATION AND IMPAIRMENT:</i>			
At 1 January 2020	487	558	1,045
Amortisation for the year	4,125	1,542	5,667
Exchange realignment	6	122	128
At 31 December 2020 and 1 January 2021	4,618	2,222	6,840
Amortisation for the year	–	178	178
Impairment loss	–	433	433
Exchange realignment	142	74	216
At 31 December 2021	4,760	2,907	7,667
<i>CARRYING AMOUNT:</i>			
At 31 December 2021	–	–	–
At 31 December 2020	–	–	–

The Group's data analysis system is acquired for supporting the Big data service business.

The lease benefit was arisen from acquisition of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. SUBSIDIARIES

Particulars of the subsidiaries at the end of the reporting period are as follows:

Company name	Place of incorporation/ registration	Registered share capital/ issued ordinary	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Brighten Express Limited	Hong Kong	HK\$1	100%	Investment holding
Rising Move International Limited	BVI	US\$100	100%	Investment holding
Interactive Lab Limited	BVI	US\$100	100%	Exploring cutting-edge technologies and applications
Indirectly held:				
Precious Success Holdings Limited ("Precious Success")	BVI	US\$200	51%	Investment holding
PAL Development Limited	Hong Kong	HK\$250,000,000	51%	Investment holding
Global Score Asia Limited	BVI	US\$20,000	100%	Investment holding
Trade Express Services Inc.	BVI	US\$20,000	100%	Investment holding
Rise Accord Holdings Limited	BVI	US\$100	100%	Investment holding
China Excellent Net Technology Investment Limited	Hong Kong	HK\$3,194,581	95%	Provision of services for distribution of mobile lottery products
Hong Kong Interactive Lab Limited	Hong Kong	HK\$1	100%	Exploring cutting-edge technologies and applications
Virtual Asset Ratings Limited	BVI	US\$50,000	100%	Exploring cutting-edge technologies and applications

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20. SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration	Registered share capital/ issued ordinary	Percentage of equity interests attributable to the Company	Principal activities
Loto Interactive Information Technology (Shenzhen) Limited* [^] ("Loto Shenzhen")	PRC	RMB200,000,000/ RMB147,996,271	100%	Investment holding
Shenzhen Lewanwuxian Information Technology Co., Ltd.* [#] ("Shenzhen Lewanwuxian")	PRC	RMB10,000,000/ RMB5,100,000	100%	Operating online games
Chengdu Keying Interactive Information Technology Limited*	PRC	RMB10,000,000/ RMB Nil	100%	Providing data analysis, storage services and ancillary administrative and consulting services
Chengdu Yilaike Technology Co., Ltd.* ("Chengdu Yilaike")	PRC	RMB10,000,000/ RMB50,000	100%	Providing data analysis, storage services and ancillary administrative and consulting services
Ganzi Changhe Hydropower Consumption Service Co., Ltd* ("Ganzi Changhe Hydropower")	PRC	RMB180,000,000/ RMB150,000,000	100%	Providing data analysis, storage services and ancillary administrative and consulting services
Sichuan Lecaiyuntian Internet Technology Co., Ltd* [@] ("Sichuan Lecaiyuntian")	PRC	RMB60,000,000/ RMB Nil	100%	Providing data analysis, storage services and ancillary administrative and consulting services

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20. SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration	Registered share capital/ issued ordinary	Percentage of equity interests attributable to the Company	Principal activities
Interactive Medical Lab Limited	BVI	US\$100	100%	Investment holding
Interactive Medical Lab Corporation	Delaware	US\$100	100%	Investment holding
Might Winner Limited	Hong Kong	HK\$1	100%	Money lending
H.K CB.Cute Technology Co., Limited	Hong Kong	HK\$10,000	100%	Investment holding
Shenzhen Quanjing Financial Leasing Co., Ltd *	PRC	RMB20,000,000/ RMB Nil	100%	Investment holding

* The companies are registered as limited liability companies under PRC law and the English names are for identification only.

^ Loto Shenzhen was established in the PRC with limited liability on 14 December 2017. The registered capital of Loto Shenzhen is RMB200,000,000 of which RMB147,996,271 has been paid by the Group as at 31 December 2021.

Shenzhen Lewanwuxian was established in the PRC with limited liability on 14 December 2017. The registered capital of Shenzhen Lewanwuxian is RMB10,000,000 of which RMB5,100,000 has been paid by the Group as at 31 December 2021.

© Sichuan Lecaiyuntian was established in the PRC with limited liability on 21 February 2019. The registered capital of Sichuan Lecaiyuntian is RMB60,000,000 of which Nil has been paid by the Group as at 31 December 2021.

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20. SUBSIDIARIES (continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Ganzi Changhe Hydropower 2020
Principal place of business/country of incorporation	PRC
% of ownership interests/voting rights held by NCI	49%/8.4%
	HK\$'000
At 31 December:	
Non-current assets	180,654
Current assets	27,845
Current liabilities	(22,128)
Net assets	186,371
Accumulated NCI	91,322
Year ended 31 December:	
Revenue	164,208
Total expenses	(155,292)
Profit for the year	8,916
Total comprehensive income	8,916
Profit allocated to NCI	3,678
Net cash generated from operating activities	22,886
Net cash used in investing activities	(117,602)
Net cash generated from financing activities	89,157
Effect of foreign exchange rate changes, net	(310)
Net decrease in cash and cash equivalents	(5,869)

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21. INVESTMENTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Unlisted investments		
Share of net assets	4,601	4,308
Goodwill	1,319	1,282
	5,920	5,590
Impairment losses	(2,222)	(3,159)
	3,698	2,431

Particulars of the associates at the end of the reporting period are as follows:

Company name	Place of incorporation/ registration	Percentage of equity interests attributable to the Company		Principal activities
		2021	2020	
ChariLot Company Limited ("ChariLot")	Hong Kong	40%	40%	Investment holding and provision of services for the distribution of lottery products
Guangzhou Sentai Information Technology Co., Ltd.* ("Guangzhou Sentai")	PRC	20%	20%	Self-media

* The companies registered as limited liability companies under PRC law and the English name is for identification only.

Guangzhou Sentai is a company mainly engaged in operating a self-media called 世鏈財經 (www.shilian.com) providing updated blockchain information.

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For the year ended 31 December 2021

21. INVESTMENTS IN ASSOCIATES (continued)

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Guangzhou Sentai	
	2021	2020
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC
Principal activities	Self-media	
% ownership interests/voting rights held by the Group	20%/20%	
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	22,488	21,616
Current assets	7,882	6,392
Current liabilities	(7,366)	(6,470)
Net assets	23,004	21,538
Group's share of net assets	4,601	4,308
Goodwill	1,319	1,282
Impairment losses	(2,222)	(3,159)
Group's share of carrying amount of interest	3,698	2,431
Year ended 31 December:		
Revenue	5,317	1,797
Profit/(Loss) from continuing operations	836	(341)
Total comprehensive income/(loss)	836	(341)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. INVESTMENTS IN ASSOCIATES (continued)

The Group has discontinued the recognition of its share of losses of the associate ChariLot because of the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of the associate for the year and cumulatively, are as follows:

	2021 HK\$'000	2020 HK\$'000
Unrecognised share of losses of an associate for the year	–	–
Accumulated unrecognised share of losses of an associate	(290)	(290)

22. INVESTMENT IN A JOINT VENTURE

Particulars of the Group's joint venture is as follows:

Company name	Place of incorporation and operation	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2021	2020	2021	2020	
PALTECH Company Limited	Hong Kong	Ordinary	60%	60%	60%	60%	Inactive

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	2021 HK\$'000	2020 HK\$'000
Cumulative unrecognised share of total comprehensive loss of joint venture	(210)	(210)

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23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Equity security, at fair value		
Listed outside Hong Kong – company A	–	5,057
Analysed as:		
Non-current assets	–	5,057

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

24. LOAN RECEIVABLES

(a) Brighten Topper Limited

On 3 April 2020, the Company granted a loan (the "Loan A") to an independent third party, Brighten Topper Limited ("Brighten Topper"), in the principal amount of HK\$30,000,000 at the interest rate of 10% per annum for a term of two years. The interest for the first twelve months (being HK\$3,000,000) shall be paid by Brighten Topper on or before 2 April 2021. The Loan A was guaranteed by Ms. Li Xue ("Ms. Li"), a director and sole beneficial owner of Brighten Topper and was secured by a property in PRC held by Ms. Li and any rights and interests derived thereof.

In the opinion of the directors, as at 31 December 2021, the fair value of the collateral approximated to RMB40,850,000 (equivalent to approximately HK\$49,963,000) (2020: RMB40,085,000 (equivalent to approximately HK\$47,627,000)). The Group seeks to maintain strict monitoring over the loan receivable and the financial performance of Brighten Topper. Overdue balances will be regularly reviewed by senior management.

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25. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	10,962	9,237
Less: impairment of trade receivables	(837)	(837)
	10,125	8,400

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows

	2021 HK\$'000	2020 HK\$'000
Within 30 days	5,190	7,250
31 days to 90 days	1,706	1,124
91 days to 180 days	1,520	4
181 days to 365 days	1,709	17
Over 1 year	–	5
	10,125	8,400

Reconciliation of loss allowance for trade receivables:

	2021 HK\$'000	2020 HK\$'000
At 1 January	837	–
Increase in loss allowance for the year	–	837
At 31 December	837	837

The Group's trading terms with its customers are usually on credit, in some instances where payment in advance is required. The credit period is generally two months for two major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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25. TRADE RECEIVABLES (continued)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current HK\$'000	Less than 1 month past due HK\$'000	1-3 months past due HK\$'000	3-6 months past due HK\$'000	6-12 months past due HK\$'000	Over 1 year past due HK\$'000	Total HK\$'000
At 31 December 2021							
Weighted average expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Receivable amount	5,190	1,706	1,520	1,709	–	837	10,962
Loss allowance	–	–	–	–	–	837	837
At 31 December 2020							
Weighted average expected loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Receivable amount	8,287	87	4	17	5	837	9,237
Loss allowance	–	–	–	–	–	837	837

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 HK\$'000	2020 HK\$'000
Other receivables		1,536	2,436
Other receivable from a shareholder of a subsidiary		–	15,549
Other tax assets		19,848	24,264
Utility deposits		10,135	16,254
Other deposits		2,503	943
Prepayments		5,646	24,640
		39,668	84,086
Impairment of other receivables		(1,068)	(1,068)
		38,600	83,018

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movement in the impairment of other receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	1,068	–
Impairment losses recognised	–	1,068
At 31 December	1,068	1,068

27. CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents	35,843	44,252
Cash and cash equivalents denominated in:		
USD	5,952	19,688
RMB (Note)	27,191	19,983
HK\$	2,700	4,581
	35,843	44,252

Note: Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

28. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	1,114	1,057
31 to 90 days	–	2,702
91 to 180 days	868	194
181 to 365 days	–	63
Over 1 year	–	595
	1,982	4,611

The average credit period on purchases of goods is 60 days.

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29. ACCRUALS AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Other payables	6,262	3,697
Construction cost payables	–	5,025
Amount due to a shareholder of a joint venture	2,334	2,334
Deposit received from customers	5,395	12,091
Accruals	659	2,587
	14,650	25,734

30. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	6,125	3,610	5,851	3,360
In the second to fifth years, inclusive	2,801	3,316	2,758	3,236
After five years	–	–	–	–
	8,926	6,926		
Less: Future finance charges	(317)	(330)		
Present value of lease liabilities	8,609	6,596	8,609	6,596
Less: Amount due for settlement within 12 months (shown under current liabilities)			(5,851)	(3,360)
Amount due for settlement after 12 months			2,758	3,236

At 31 December 2021, the average effective borrowing rate was 5.3% (2020: 5.3%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

31. AMOUNT DUE TO A RELATED COMPANY

The advance is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. SHARE CAPITAL

	2021 HK\$'000	2020 HK\$'000
Authorised		
650,000,000 (2020: 550,000,000) ordinary shares of HK\$0.1 (2020: HK\$0.1) each	65,000	55,000

	2021 HK\$'000	2020 HK\$'000
Issued and fully paid:		
548,378,822 (2020: 379,023,983) ordinary shares of HK\$0.1 (2020: HK\$0.1) each	54,838	37,902

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share Capital HK\$'000
At 1 January 2020	3,158,599,836	31,586
Share consolidation (Note (a))	(2,842,739,853)	–
Placing of new shares (Note (b))	63,164,000	6,316
At 31 December 2020 and 1 January 2021	379,023,983	37,902
Issuance of shares on subscription (Note (c))	169,354,839	16,936
At 31 December 2021	548,378,822	54,838

Note:

- (a) A share consolidation has taken place on 28 May 2020. that every ten issued and unissued existing shares of HK\$0.01 each in the share capital of the Company has been consolidated into one consolidated share of HK\$0.1 each in the share capital of the Company.
- (b) A placing has taken place on 9 October 2020. A total of 63,164,000 placing shares have been placed at the placing price of HK\$0.26 per placing share. The gross proceeds and net proceeds from the placing amounted to approximately HK\$16,423,000 and HK\$16,028,000, respectively.
- (c) A subscription has taken place on 31 March 2021. A total of 169,354,839 subscription shares have been issued at the subscription price of HK\$0.62 per subscription share. The gross proceeds and net proceeds from the subscription amounted to approximately HK\$105,000,000 and HK\$100,554,000, respectively.

By an ordinary resolution passed by the shareholders of the Company on 26 March 2021, the authorised share capital of the Company was increased Company from HK\$55,000,000 to HK\$65,000,000 by the creation of 100,000,000 additional shares of the Company of HK\$0.1 each, such new shares rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Equity investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	329,194	20,881	(2,570)	(36,344)	311,161
Loss for the year	-	-	-	(30,512)	(30,512)
Issue of ordinary shares upon exercise of share options	9,712	-	-	-	9,712
Equity-settled share-based payment expense	-	4,028	-	-	4,028
Cancellation of share option	-	(15,539)	-	15,539	-
Fair value changes of equity investments at fair value through other comprehensive income	-	-	(83)	-	(83)
At 31 December 2020 and 1 January 2021	338,906	9,370	(2,653)	(51,317)	294,306
Loss for the year	-	-	-	(312,017)	(312,017)
Issuance of shares on subscription (Note 33 (c))	83,618	-	-	-	83,618
Equity-settled share-based payment expense	-	1,619	-	-	1,619
Fair value changes of equity investments at fair value through other comprehensive income	-	-	14,397	-	14,397
At 31 December 2021	422,524	10,989	11,744	(363,334)	81,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. RESERVES (continued)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

34. SHARE-BASED PAYMENTS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The share option scheme which was adopted by the shareholders of the Company on 20 April 2002 expired on 20 April 2012 (the "Old Share Option Scheme"). Following the expiry of the Old Share Option Scheme, the shareholders of the Company adopted a new share option scheme on 18 May 2012 (the "2012 Share Option Scheme"). Under the 2012 Share Option Scheme, the directors of the Company may, at their discretion, grant to any participants share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein. Notwithstanding the expiry of the Old Share Option Scheme, the share options which had been granted during the life of the Old Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue.

On 17 August 2017, the board of directors resolved that (i) the cancellation of an aggregate of 3,408,599 share options granted but not exercised under the Old Share Option Scheme; and (ii) the cancellation of an aggregate of 113,042,871 share options granted but not exercised under the 2012 Share Option Scheme, subject to the written consent of the option holders to cancel their respective share options ("Resolution").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. SHARE-BASED PAYMENTS *(continued)*

The following is a summary of the principal terms of the 2012 Share Option Scheme:

(a) Purpose of the schemes

The purpose of the 2012 Share Option Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and to attract, retain and motivate high-caliber eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(b) Participants of the schemes

The participants of the 2012 Share Option Scheme shall be (1) any full time or part time employees of the Group (including any executive or non-executive directors of the Company or any of its subsidiaries) and (2) any suppliers, consultants, agents and advisers.

(c) Total number of shares available for issue under the schemes

The total number of shares which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2012 Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

(d) Maximum entitlement of each participant under the schemes

The total number of shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period must not exceed 1% of the shares in issue unless the same is approved by the Company's shareholders in general meeting.

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of the shares issued and to be issued upon exercise of all options granted or to be granted to such person in any twelve-month period exceed 0.1% of the shares in issue and with an aggregate value in excess of HK\$5 million, then the proposed grant is also subject to the approval of the Company's shareholders in general meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. SHARE-BASED PAYMENTS *(continued)*

(e) The period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the board of directors at its absolute discretion, save that such period shall not be longer than 10 years from the date of grant.

(f) The minimum period for which an option must be held before it can be exercised

As determined by the board of directors upon the grant of an option.

(g) The amount payable on acceptance of an option and the period within which payments shall be made

Under the 2012 Share Option Scheme, the acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant and HK\$1.00 is payable on acceptance of the grant of options.

(h) The basis of determining the exercise price

The exercise price is determined by the board of directors which shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of the share.

(i) The remaining life of the scheme

The 2012 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption until 17 May 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. SHARE-BASED PAYMENTS (continued)

The 2012 Share Option Scheme

Movements of the share options under the 2012 Share Option Scheme during the year ended 31 December 2021 are set out below:

Category of participants	Outstanding at 1.1.2020	Reclassified on 2.1.2020 ¹	Share consolidation on 28.5.2020	Cancelled during the year ²	Granted during the year	Reclassified on 1.9.2020 ¹	Lapsed during the year ⁴	Outstanding at 31.12.2020 & 1.1.2021	Reclassified during the year ³	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2021	Date of grant of share options	Share price at	Exercise
														date of grant of share options ⁵	price of share options ⁶
														HK\$	HK\$
Director ¹	84,000,000	(5,000,000)	(71,100,000)	(7,900,000)	-	-	-	-	-	-	-	-	05.01.2018	1.87	2.00
Director ²	84,000,000	(1,332,000)	(74,401,200)	-	-	-	-	8,266,800	(4,133,200)	-	(200,000)	3,933,600	01.04.2019	1.10	1.10
Director ³	-	-	-	-	10,900,000	3,100,000	-	14,000,000	(3,100,000)	-	(200,000)	10,700,000	10.08.2020	0.26	0.26
Sub-total:	168,000,000	(6,332,000)	(145,501,200)	(7,900,000)	10,900,000	3,100,000	-	22,266,800	(7,233,200)	-	(400,000)	14,633,600			
Employees ¹	2,100,000	-	(1,890,000)	(210,000)	-	-	-	-	-	-	-	-	05.01.2018	1.87	2.00
Employees ²	1,100,000	-	(990,000)	-	-	-	-	110,000	(30,000)	-	-	80,000	01.04.2019	1.10	1.10
Employees ³	-	-	-	-	900,000	-	-	900,000	(250,000)	(20,000)	(30,000)	600,000	10.08.2020	0.26	0.26
Sub-total:	3,200,000	-	(2,880,000)	(210,000)	900,000	-	-	1,010,000	(280,000)	(20,000)	(30,000)	680,000			
Others ¹	67,300,000	5,000,000	(65,070,000)	(6,830,000)	-	-	-	400,000	-	-	-	400,000	05.01.2018	1.87	2.00
Others ²	57,336,000	1,332,000	(52,801,200)	-	-	-	(600,000)	5,266,800	4,163,200	-	(30,000)	9,400,000	01.04.2019	1.10	1.10
Others ³	-	-	-	-	13,660,000	(3,100,000)	(600,000)	9,960,000	3,350,000	-	(6,340,000)	6,970,000	10.08.2020	0.26	0.26
Sub-total:	124,636,000	6,332,000	(117,871,200)	(6,830,000)	13,660,000	(3,100,000)	(1,200,000)	15,626,800	7,513,200	-	(6,370,000)	16,770,000			
Total:	295,836,000	-	(266,252,400)	(14,940,000)	25,460,000	-	(1,200,000)	38,903,600	-	(20,000)	(6,800,000)	32,083,600			
Weighted average exercise price (HK\$)	0.16			2.00	0.26		0.68	0.57		0.26	0.29	0.61			
Share options exercisable	141,228,000							17,344,800				25,965,600			

- The share options granted on 5 January 2018 are divided into 3 tranches exercisable from 5 January 2018, 5 January 2019 and 5 January 2020 respectively to 4 January 2028.
- The share options granted on 1 April 2019 are divided into 3 tranches exercisable from 1 April 2019, 1 April 2020 and 1 April 2021 respectively to 31 March 2029.
- The share options granted on 10 August 2020 are divided into 3 tranches exercisable from 10 August 2020, 10 August 2021 and 10 August 2022 respectively to 9 August 2030.
- The category "Others" represents consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation.

The Group granted share options to them for recognising their services similar to those rendered by employees of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. SHARE-BASED PAYMENTS (continued)

The 2012 Share Option Scheme (continued)

- 5 To better reflect Mr. Pan Zhengming's resignation as non-executive director on 2 January 2020, and Ms. Zhang Jing's appointment as non-executive director on 2 January 2020, the type of participant has been reclassified from directors to others, and from others to directors respectively.
- 6 14,940,000 share options granted to the options holders were cancelled in accordance with the terms of the share option scheme adopted by the Group on 18 May 2012.
- 7 To better reflect Mr. Yan Hao's appointment as independent non-executive director and chief executive officer on 1 September 2020, the type of participant has been reclassified from others to directors.
- 8 Mr. Pan Zhengming's appointment as consultant has been terminated on 23 November 2020. 1,200,000 outstanding share options granted to him were lapsed on the same date.
- 9 To better reflect Mr. Yuan Qiang's resignation as non-executive director on 30 June 2021, and Mr. Yang Xianfeng's appointment as non-executive director on 30 June 2021, the type of participant has been reclassified from directors to others, and from others to directors respectively.
- 10 The share price at date of grant of share options and the exercise price of share options have been adjusted to reflect the Share Consolidation.

The fair values of share options granted in 2020 were calculated using the Binomial Tree model. The inputs into the model are as follows:

	2020
Weighted average share price (HK\$)	0.26
Weighted average exercise price (HK\$)	0.26
Expected volatility	87.11%
Risk free rate	0.27%
Expected dividend yield	0.00%

The total fair values of the share options granted in 2020 were at amount of approximately HK\$4,014,000. During the year, an amount of approximately HK\$1,619,000 (2020: HK\$4,028,000) was recognised as equity-settled share option expense.

The Group recognised equity-settled share-based payment expenses at a total of HK\$1,619,000 (2020: HK\$4,028,000), included in which of HK\$306,000 (2020: HK\$Nil) was recognised immediately as accelerated vesting due to the cancellation of share options for the year ended 31 December 2021 in relation to share options granted by the Company in the prior years.

During the year ended 31 December 2021, 20,000 (2020: 1,200,000) of the share options were lapsed due to termination of a consultant and 6,800,000 (2020: 14,940,000) of the share options were cancelled under the 2012 Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Purchase of non-controlling interests

During the year, the Group acquired 49% interests in a 51% subsidiary from the non-controlling shareholders at a cash consideration of approximately HK\$104,357,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK\$'000
Share of net assets in the subsidiary acquired	85,391
Consideration	104,357
Loss on acquisition recognised directly in equity	18,966

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities HK\$'000	Amount due to a related company HK\$'000	Amount due to holding company HK\$'000	Total liabilities from financing activities HK\$'000
At 1 January 2020	4,439	11,380	1	15,820
Change in cash flows	(4,425)	(10,913)	(1)	(15,339)
Non-cash changes				
– additions	7,081	–	–	7,081
– interest charges	295	–	–	295
– rental concession	(833)	–	–	(833)
– exchange differences	39	–	–	39
At 31 December 2020 and 1 January 2021	6,596	467	–	7,063
Change in cash flows	(4,589)	(467)	–	(3,893)
Non-cash changes				
– additions	6,278	–	–	6,278
– interest charges	469	–	–	469
– rental concession	(145)	–	–	(145)
– exchange differences	–	–	–	–
At 31 December 2021	8,609	–	–	8,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment Contracted, but not provided for	–	33

37. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2021 HK\$'000	2020 HK\$'000
Big data centre services income from fellow subsidiaries (Note)	12,673	–

Note:

The fellow subsidiaries represent 500wan HK Limited and E-Sun Sky Computer (Shenzhen) Co. Ltd. which are wholly-owned subsidiaries of the Holding Company.

- (b) **Compensation of key management personnel of the Group:**

	2021 HK\$'000	2020 HK\$'000
Fees, salaries, allowances, bonus and benefits in kind	3,521	4,479
Pension scheme contributions	31	34
Equity-settled share-based payment expense	767	2,519
	4,319	7,032

Further details of directors' and chief executive's emoluments are included in note 11 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,874	4,821
Investments in subsidiaries	2	2
Right-of-use assets	4,185	5,497
Equity investments at fair value through other comprehensive income	–	5,057
	12,061	15,377
CURRENT ASSETS		
Prepayments, deposits and other receivables	7,855	2,640
Amount due from subsidiaries	151,401	327,350
Cash and cash equivalents	3,024	19,248
	162,280	349,238
CURRENT LIABILITIES		
Accruals and other payables	1,572	1,171
Lease liabilities	5,591	2,760
Amount due to subsidiaries	27,659	25,030
Amount due to related parties	–	462
	34,822	29,423
NET CURRENT ASSETS	127,458	319,815
TOTAL ASSETS LESS CURRENT LIABILITIES	139,519	335,192
NON-CURRENT LIABILITIES		
Lease liabilities	2,758	2,984
Deferred tax liabilities	–	–
	2,758	2,984
NET ASSETS	136,761	332,208
EQUITY		
Share capital	54,838	37,902
Reserves	81,923	294,306
TOTAL EQUITY	136,761	332,208

39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 23 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the audited results and of the assets and liabilities of the Group for the five years ended 31 December 2021.

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
RESULTS					
Revenue	180,721	382,955	64,556	6,034	48,827
Loss for the year	(292,336)	(43,255)	(34,771)	(34,781)	(18,573)
Attributable to:					
Owners of the Company	(286,686)	(46,767)	(33,618)	(34,087)	(17,929)
Non-controlling interests	(5,650)	3,512	(1,153)	(694)	(644)
	(292,336)	(43,255)	(34,771)	(34,781)	(18,573)

	At 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES					
Total assets	165,520	454,539	411,915	389,940	429,586
Total liabilities	(28,519)	(44,829)	(69,168)	(18,788)	(34,585)
Non-controlling interests	232	(91,044)	(12,876)	(6,279)	(6,597)
Total equity attributable to owners of the Company	137,233	318,666	329,871	364,873	388,404