BC TECHNOLOGY GROUP LIMITED
BC科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 0863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of BC Technology Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB	*RMB*
Continuing operations		
Income from principal activities:		
— Revenue from advertising business	**57,897,897**	100,431,065
— Rental income from business park area management services	**35,142,160**	35,968,395
— Income from digital assets and blockchain platform business	**71,648,388**	8,560,749
	164,688,445	144,960,209
Cost of revenue relating to advertising and business park area management services	**(68,602,787)**	(92,069,201)
Net impairment losses on financial assets and contract assets	**(13,971,737)**	(5,463,178)
Other income	**1,974,549**	–
Other gains/(losses), net	**2,715,619**	(1,042,975)
Selling and distribution expenses	**(16,099,519)**	(5,936,801)
Administrative and other operating expenses	**(277,267,367)**	(168,711,319)
Operating loss	**(206,562,797)**	(128,263,265)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB	2018 RMB
Operating loss		**(206,562,797)**	(128,263,265)
Finance income		**22,370,326**	12,318,840
Finance costs		**(62,463,116)**	(39,831,385)
Finance costs, net		**(40,092,790)**	(27,512,545)
Loss before income tax		**(246,655,587)**	(155,775,810)
Income tax credit/(expense)	*6*	**1,577,857**	(5,147,114)
Loss from continuing operations		**(245,077,730)**	(160,922,924)
(Loss)/profit from discontinued operations (attributable to the owners of the Company)		**(44,579)**	225,966
Loss for the year		**(245,122,309)**	(160,696,958)
Other comprehensive loss			
Item that may be reclassified to profit or loss:			
Currency translation differences on translation of foreign operations with a functional currency different from the Company's presentation currency		**(3,059,991)**	(2,337,424)
Item that will not be reclassified to profit or loss:			
Currency translation differences related to the Company on translation of functional currency to presentation currency		**(1,350,391)**	97,805
Other comprehensive loss for the year		**(4,410,382)**	(2,239,619)
Total comprehensive loss for the year		**(249,532,691)**	(162,936,577)
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(243,535,868)**	(161,458,646)
— (Loss)/profit from discontinued operations		**(44,579)**	225,966
		(243,580,447)	(161,232,680)
Non-controlling interests			
— (Loss)/profit from continuing operations		**(1,541,862)**	535,722
		(245,122,309)	(160,696,958)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *RMB*	2018 *RMB*
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (RMB per share)	*8*	**(0.92)**	(0.64)
Diluted (RMB per share)	*8*	**(0.92)**	(0.64)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (RMB per share)	*8*	**(0.92)**	(0.64)
Diluted (RMB per share)	*8*	**(0.92)**	(0.64)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(247,972,500)**	(163,695,290)
— (Loss)/profit from discontinued operations		**(44,579)**	225,966
		(248,017,079)	(163,469,324)
Non-controlling interests			
— (Loss)/profit from continuing operations		**(1,515,612)**	532,747
		(249,532,691)	(162,936,577)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 RMB	2018 RMB
ASSETS			
Non-current assets			
Property, plant and equipment		**205,361,704**	237,691,245
Intangible assets		**50,878,423**	48,536,289
Prepayments, deposits and other receivables		**122,313,540**	24,788,852
Inventories due from counterparties		**17,401,244**	–
Deferred income tax assets		**3,288,202**	1,908,401
Total non-current assets		**399,243,113**	312,924,787
Current assets			
Inventories	*9*	**446,561,751**	188,739,099
Contract assets	*4*	**28,370,842**	49,914,408
Trade and bills receivables	*10*	**34,108,709**	11,821,876
Prepayments, deposits and other receivables		**34,944,349**	144,171,867
Inventories due from counterparties		**6,960,714**	–
Income tax recoverable		**–**	169,087
Cash and cash equivalents		**191,852,375**	294,838,046
		742,798,740	689,654,383
Assets directly associated with assets classified as held for sale		**2,627,398**	–
Total current assets		**745,426,138**	689,654,383
Total assets		**1,144,669,251**	1,002,579,170
LIABILITIES			
Non-current liabilities			
Deposits received and other payables		**36,146,698**	12,627,230
Lease liabilities		**166,735,799**	197,306,077
Borrowings		**262,898,149**	15,500,000
Financial liabilities at fair value through profit or loss		**6,054,129**	20,620,230
Deferred income tax liabilities		**9,503,404**	10,195,766
Total non-current liabilities		**481,338,179**	256,249,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2019

	Notes	**2019** *RMB*	2018 *RMB*
Current liabilities			
Trade payables	*11*	**41,243,692**	34,512,869
Accruals and other payables		**60,496,531**	37,899,208
Contract liabilities	*4*	**2,556,873**	931,198
Liabilities due to customers	*12*	**496,189,194**	380,701,523
Lease liabilities		**29,808,175**	31,851,433
Financial liability at fair value through profit or loss		**13,524,247**	–
Borrowings		**75,325,596**	221,462,651
Current income tax liabilities		**3,564,262**	4,343,694
		722,708,570	711,702,576
Liabilities directly associated with assets classified as held for sale		**6,906,283**	–
Total current liabilities		**729,614,853**	711,702,576
Total liabilities		**1,210,953,032**	967,951,879
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**2,325,726**	2,123,981
Other reserves		**390,221,762**	246,238,520
Accumulated losses		**(461,802,447)**	(218,222,000)
		(69,254,959)	30,140,501
Non-controlling interests		**2,971,178**	4,486,790
Total (deficit)/equity		**(66,283,781)**	34,627,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the provision for traditional advertising and business park area management services in the People's Republic of China (the "PRC"), and the digital assets and blockchain platform business in Hong Kong.

Subsequent to the special resolution of the Company's shareholders passed on 16 May 2019, the certificate of incorporation on change of name was issued by the Registrar of Companies in Cayman Islands on 16 May 2019, and the certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 30 May 2019.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. The Company's registered office is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

In the opinion of the Directors of the Company, the ultimate holding company of the Company is Bell Haven Limited, which was incorporated in British Virgin Islands ("BVI").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards ("IFRSs") and Hong Kong Companies Ordinance ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with IFRSs and requirements of HKCO Cap. 622. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for inventories, inventories due from counterparties and the interests thereon, inventories due to counterparties and the interests thereon, liabilities due to customers, financial liabilities at fair value through profit or loss and collateral payable, which are measured on fair value basis.

(c) Going concern basis

As at 31 December 2019, the Group had shareholders' deficit of RMB66,283,781 (2018: shareholders' equity of RMB34,627,291), and it had incurred a loss of RMB245,122,309 (2018: RMB160,696,958) for the year then ended.

Management of the Group has prepared a cash flow projection covering a period of 12 months from 31 December 2019. The cash flow projection has taken into account the anticipated cash flows to be generated from the Group's different business lines (including considerations of reasonably possible changes in its operating performance) and the loan facilities and other available financing during the period under projection, including proceeds from share issuance totalling approximately HK$280,000,000 (equivalent to approximately RMB250,000,000) received in February and March 2020. The directors, after making due inquiries and considering the basis of management's projection described above, believe that there will be sufficient financial resources for the Group to continue its operations and to meet its financial obligations and commitments as and when they fall due in the next 12 months from 31 December 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

In order to safeguard the Group's ability to continue as a going concern and to support the Group's strategic growth initiatives in the longer term, management closely monitors the actual financial performance of the Group against the forecasts and will pursue further capital or loan financing as and when needed.

(d) Amendments to standards and interpretation adopted by the Group

The Group has applied the following amendments to standards and interpretation for the first time for their annual reporting period commencing on 1 January 2019:

Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IFRS 9	Prepayment features with negative compensation
IFRIC Int-23	Uncertainty over income tax treatments
Annual improvement to IFRSs 2015–2017 cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The adoption of amendments to standards and interpretation listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(e) New and amended standards and framework not yet adopted

Certain new accounting standards, amendments to standards and framework have been published that are not mandatory for financial year beginning on 1 January 2019 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to IAS39, IFRS 7 and IFRS 9	Hedge accounting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's management assessed that there are no new and amended standards and framework that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT REPORTING

The chief operating decision-maker of the Group has been identified as the executive directors of the Company. The executive directors regularly review revenue and operating results derived from different segments.

The Group has four reportable segments (including the discontinued operations). The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Wireless advertising — provision of wireless advertising service (note) in the PRC

— Traditional advertising — provision of traditional advertising services, public relation services and event marketing services in the PRC

— Business park area management — providing operation and management services in business park area in the PRC

— Digital assets and blockchain platform business — trading of digital assets in the over-the-counter ("OTC") market and provision of automated digital assets trading services through its proprietary platforms, licensing of its proprietary platforms and technology solutions as a "Software as a Service" ("SaaS") and others related businesses.

Note: The Board has decided to discontinue the operation of wireless advertising business on 29 December 2016. In accordance with IFRS 5, the segment of wireless advertising service for the years ended 31 December 2019 and 2018 were classified as discontinued operations in the Group's consolidated financial statements.

(a) For the year ended 31 December 2019

	Continuing operations					Discontinued operations	
	Traditional advertising *RMB*	Business park area management *RMB*	Digital assets and blockchain platform business *RMB*	Unallocated *RMB*	Subtotal *RMB*	Wireless advertising *RMB*	Total *RMB*
Results							
Revenue from contracts with customers:							
Revenue from advertising	57,897,897	–	–	–	57,897,897	–	57,897,897
Service fee from SaaS *(Note 5)*	–	–	2,261,879	–	2,261,879	–	2,261,879
Interest income from inventories financing and other revenues *(Note 5)*	–	–	2,474,299	–	2,474,299	–	2,474,299
Income from other sources:							
Rental income from business park area management services	–	35,142,160	–	–	35,142,160	–	35,142,160
Other income from digital assets and blockchain platform business *(Note 5)*	–	–	66,912,210	–	66,912,210	–	66,912,210
Segment results	8,880,472	15,556,798	71,648,388	–	96,085,658	–	96,085,658
Finance income	388,034	2,297	42,951	21,937,044	22,370,326	372	22,370,698
Finance costs	(648,589)	(12,705,703)	(892,281)	(48,216,543)	(62,463,116)	–	(62,463,116)
Impairment loss on financial assets and contract assets	(4,995,607)	(3,303,543)	–	(5,672,587)	(13,971,737)	–	(13,971,737)
Unallocated expenses *(Note (ii))*	(13,625,450)	(2,684,830)	(72,248,058)	(200,118,380)	(288,676,718)	(44,951)	(288,721,669)
Loss before income tax expense	(10,001,140)	(3,134,981)	(1,449,000)	(232,070,466)	(246,655,587)	(44,579)	(246,700,166)
Income tax credit/(expense)	1,322,231	620,904	–	(365,278)	1,577,857	–	1,577,857
Loss for the year	(8,678,909)	(2,514,077)	(1,449,000)	(232,435,744)	(245,077,730)	(44,579)	(245,122,309)
Loss for the year from continuing operations	(8,678,909)	(2,514,077)	(1,449,000)	(232,435,744)	(245,077,730)	–	(245,077,730)
Loss for the year from discontinued operations	–	–	–	–	–	(44,579)	(44,579)
	(8,678,909)	(2,514,077)	(1,449,000)	(232,435,744)	(245,077,730)	(44,579)	(245,122,309)
Assets and liabilities							
Reportable segment assets *(Note (iii))*	120,269,784	113,929,984	628,021,635	274,769,045	1,136,990,448	7,678,803	1,144,669,251
Reportable segment liabilities *(Note (iii))*	46,457,547	118,148,922	592,689,722	446,750,558	1,204,046,749	6,906,283	1,210,953,032
Other segment information							
Depreciation and amortisation	8,087,471	16,547,790	2,081,033	30,079,194	56,795,488	–	56,795,488

(b) For the year ended 31 December 2018

	Continuing operations					Discontinued operations	
	Traditional advertising *RMB*	Business park area management *RMB*	Digital assets trading business *RMB*	Unallocated *RMB*	Subtotal *RMB*	Wireless advertising *RMB*	Total *RMB*
Results							
Revenue from contracts with customers:							
Revenue from advertising	100,431,065	–	–	–	100,431,065	–	100,431,065
Income from other sources:							
Rental income from business park area management services	–	35,968,395	–	–	35,968,395	–	35,968,395
Income from digital assets business	–	–	8,560,749	–	8,560,749	–	8,560,749
Segment results	27,969,162	16,473,294	8,560,749	(112,197)	52,891,008	–	52,891,008
Finance income	579,671	2,457	883	11,735,829	12,318,840	389	12,319,229
Finance costs	(1,117,511)	(13,732,090)	–	(24,981,784)	(39,831,385)	–	(39,831,385)
Impairment loss on trade receivables and contract assets	–	(1,573,404)	(4,776,834)	7,441	(6,342,797)	–	(6,342,797)
Reversal of impairment loss on trade receivables and contract assets	879,619	–	–	–	879,619	–	879,619
Unallocated expenses *(Note (ii))*	(24,812,848)	(607,349)	(14,812,013)	(135,458,885)	(175,691,095)	225,577	(175,465,518)
Profit/(loss) before income tax expense	3,498,093	562,908	(11,027,215)	(148,809,596)	(155,775,810)	225,966	(155,549,844)
Income tax expense	(2,385,493)	(371,341)	–	(2,390,280)	(5,147,114)	–	(5,147,114)
Profit/(loss) for the year	1,112,600	191,567	(11,027,215)	(151,199,876)	(160,922,924)	225,966	(160,696,958)
Profit/(loss) for the year from continuing operations	1,112,600	191,567	(11,027,215)	(151,199,876)	(160,922,924)	–	(160,922,924)
Profit for the year from discontinued operations	–	–	–	–	–	225,966	225,966
	1,112,600	191,567	(11,027,215)	(151,199,876)	(160,922,924)	225,966	(160,696,958)
Assets and liabilities							
Reportable segment assets *(Note (iii))*	102,757,377	124,946,140	449,580,095	320,991,523	998,275,135	4,304,035	1,002,579,170
Reportable segment liabilities *(Note (iii))*	42,271,818	126,651,003	462,351,511	329,771,265	961,045,597	6,906,282	967,951,879
Other segment information							
Depreciation and amortisation	4,308,526	18,458,474	860,144	6,930,508	30,557,652	37,675	30,595,327

Notes:

(i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segment for the years ended 31 December 2019 and 2018.

(ii) Unallocated expenses mainly include salaries, rental expenses, consultancy and professional fees for head office.

(iii) Unallocated assets mainly include cash and cash equivalents in head office and unallocated liabilities mainly include borrowings.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

(a) Disaggregation of revenue from contracts with customers

During the year ended 31 December 2019, all sources of revenue from contracts with customers were recognised over time (2018: same).

	2019	2018
	RMB	*RMB*
Revenue from advertising business	**57,897,897**	100,431,065
Service fee from SaaS *(Note 5)*	**2,261,879**	–
Interest income from inventories financing *(Note 5)*	**1,397,625**	–
Others *(Note 5)*	**1,076,674**	–

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

		2019	2018
	Note	***RMB***	*RMB*
Contract assets	*4(b)(i)*	**28,340,375**	59,601,005
Less: loss allowance		**(1,909,182)**	(9,686,597)
		26,431,193	49,914,408
Assets recognised from costs to fulfil revenue contracts		**1,939,649**	–
Total contract assets		**28,370,842**	49,914,408
Contract liabilities		**2,556,873**	931,198

The below table reconciles the impairment loss allowance which is related to contract assets:

	2019	2018
	RMB	*RMB*
At the beginning of the year	**9,686,597**	–
Effect on adoption of IFRS 15 on 1 January 2018	**–**	8,122,622
Effect on adoption of IFRS 9 on 1 January 2018	**–**	2,443,594
Provision/(reversal of provision) for impairment of contract assets	**365,438**	(879,619)
Reclassification of impairment provision to assets held for sale	**(8,142,853)**	–
At the end of the year	**1,909,182**	9,686,597

(i) Contract assets and liabilities

Contract assets represent revenue recognised prior to the date on which it is invoiced to customers and contract liabilities represent advance payments received from customers for goods or services that have not yet been transferred to the customers.

5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2019	2018
	RMB	*RMB*
Income from digital assets and blockchain platform business:		
Trading of digital assets *(Note (a))*	**67,601,608**	8,348,305
Net fair value (loss)/gain on digital assets inventories *(Note (a))*	**(689,398)**	212,444
Service fee from SaaS	**2,261,879**	–
Interest income from inventories financing	**1,397,625**	–
Others	**1,076,674**	–
	71,648,388	8,560,749

(a) The Group's digital assets and blockchain platform business includes primarily OTC trading business to trade digital assets with corporate and individual customers, and the provision of automated digital assets trading services through its proprietary platforms. Income from digital assets business represents trading margin arising from trading various digital assets and net gain or loss from remeasurement of digital assets inventories to the extent it is not offset by remeasurement of digital assets liabilities due to customers arising from Digital Asset Trading Agreement ("DATA"). The Group is exposed to net trading gain or loss from holding digital assets for trading up to the point when a trade (to buy or sell digital assets) with customer is concluded with fixed terms of trade with respect to the type, unit and price of digital assets.

6 INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2019 (2018: same).

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the year ended 31 December 2019 was 25% on their taxable profits (2018: same).

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	2019	2018
	RMB	*RMB*
Continuing operations		
Current tax:		
PRC corporate income tax	**2,159,357**	3,836,826
Over-provision in prior years:		
PRC corporate income tax	**(1,617,842)**	–
Deferred income tax	**(2,119,372)**	1,310,288
Income tax (credit)/expense	**(1,577,857)**	5,147,114

7 DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

8 LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2019 *RMB*	2018 *RMB*
Loss from continuing operations:		
Loss for the year attributable to owners of the Company	**243,580,447**	161,232,680
Add: (Loss)/profit for the year from discontinued operations (attributable to owners of the Company)	**(44,579)**	225,966
Loss for the year from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**243,535,868**	161,458,646

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2019 *RMB*	2018 *RMB*
Loss from continuing and discontinued operations:		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**243,580,447**	161,232,680

	2019	2018
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**264,925,579**	251,771,079
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (RMB per share)	**(0.92)**	(0.64)
Diluted (RMB per share)	**(0.92)**	(0.64)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (RMB per share)	**(0.92)**	(0.64)
Diluted (RMB per share)	**(0.92)**	(0.64)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

The share options and share award granted by the Company, convertible note granted by the Company's non-wholly owned subsidiary and warrants granted by the Company's wholly owned subsidiary, could have potential dilutive effect on the loss per share. During the years ended 31 December 2019 and 2018, the share options, share award, convertible note and warrants had anti-dilutive effect to the Group as the assumed conversion of share options and share award granted by the Company and convertible note and warrants granted by loss-making subsidiaries would result in a decrease in loss per share.

9 INVENTORIES

	2019	2018
	RMB	*RMB*
Digital assets inventories	**446,561,751**	188,739,099

As at 31 December 2019, the balance of digital assets inventories included digital assets held by the Group in designated customer accounts under various contractual arrangements totalling RMB357,113,480 (2018: RMB180,513,792). It also included the Group's proprietary inventories of RMB89,448,271 (2018: RMB8,225,307). The balance is measured at fair value through profit or loss.

Net fair value loss of RMB689,398 (2018: net fair value gain of RMB212,444) from remeasurement of digital assets inventories at 31 December 2019 to the extent it is not offset by remeasurement of digital assets liabilities due to customers at the same date is presented as part of the "income from digital assets and blockchain platform business" in the consolidated statement of profit or loss *(Note 5)*.

10 TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB	*RMB*
Trade receivables from advertising and business park area management services	**24,302,600**	8,987,134
Less: Loss allowance	**(9,695,606)**	(1,761,894)
	14,606,994	7,225,240
Bills receivables from advertising business	**2,247,811**	2,256,776
Trade receivables from digital assets and blockchain platform business	**22,121,930**	7,152,717
Less: Loss allowance	**(4,868,026)**	(4,812,857)
	17,253,904	2,339,860
Trade and bills receivables	**34,108,709**	11,821,876

For the advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and further grants a credit term of 30 to 90 days after the invoice date, while prepayment from customers for provision of business park area management services are generally required.

Customers of the digital assets business are generally required to prefund their accounts prior to the trade. Trades with liquidity providers can be on credit.

The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

At 31 December, the ageing analysis of the Group's trade and bills receivables, based on invoice date, were as follows:

	2019	2018
	RMB	*RMB*
0 –30 days	**18,699,932**	6,706,660
31–90 days	**1,160,083**	1,805,618
91–180 days	**4,923,915**	839,422
181–365 days	**3,619,024**	213,400
Over 365 days	**3,457,944**	–
	31,860,898	9,565,100
Bills receivables	**2,247,811**	2,256,776
	34,108,709	11,821,876

11 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 90–180 days.

An ageing analysis of the Group's trade payables as at the end of the reporting periods, based on the date on which service was rendered or product was received, is as follows:

	2019	2018
	RMB	*RMB*
0–30 days	**11,006,538**	11,776,110
31–90 days	**15,304,563**	15,269,476
91–180 days	**3,977,227**	1,478,050
181–365 days	**9,013,970**	2,000
Over 365 days	**1,941,394**	5,987,233
	41,243,692	34,512,869

12 LIABILITIES DUE TO CUSTOMERS

	2019	2018
	RMB	*RMB*
Liabilities due to customers		
— Fiat currency liabilities	**139,075,714**	200,187,731
— Digital assets liabilities	**357,113,480**	180,513,792
	496,189,194	380,701,523

Liabilities due to customers arise in the ordinary course of the Group's digital assets and blockchain platform business, where the Group's contractual relationship with its customers is primarily governed by the DATA and other relevant agreements.

Based on the respective rights and obligations of the Group and its customers under various arrangements, fiat and digital assets held by the Group in the customers' accounts are recognised as the Group's assets with a corresponding liability due to the customers. The liabilities are measured at fair value through profit or loss with changes in fair values recognised in the consolidated statement of profit or loss in the period of the changes as part of the "income from digital assets and blockchain platform business".

13 SHARE CAPITAL

	2019		2018	
	Number of shares	***RMB***	Number of shares	*RMB*
Authorised:				
Ordinary shares of HKD0.01 each at 1 January 2018 and 31 December 2018 and 2019	**2,000,000,000**	**16,632,421**	2,000,000,000	16,632,421
Issued and fully paid:				
At the beginning of the year	**261,607,553**	**2,123,981**	251,771,079	2,037,681
Issuance of new shares *(Note)*	**22,876,360**	**201,745**	9,836,474	86,300
At the end of the year	**284,483,913**	**2,325,726**	261,607,553	2,123,981

Note:

On 27 May 2019, the Company entered into 8 subscription agreements with 8 subscribers, pursuant to which the Company agreed to allot and issue, and the subscribers agreed to subscribe for 22,876,360 subscription shares at the subscription price of HK$5 per share. Upon the issuance of the shares, approximately RMB201,745 was credited to share capital and RMB100,670,711 was credited to share premium.

The Group was indebted to one of the subscribers a loan of HK$100,000,000 (equivalent to RMB88,073,394), which would be due on 11 July 2019. It was agreed with the subscriber that the Group would set-off the outstanding loan by way of issuing 20,000,000 subscription shares to the subscriber. Apart from the above loan set-off arrangement, the Company received the net proceeds of approximately RMB12,799,062 from the shares subscription.

14 EVENTS OCCURING AFTER THE REPORTING PERIOD

Share issuance

On 24 January 2020, the Group entered into the subscription agreements to allot and issue 43,100,000 shares to the subscribers with a total consideration of approximately HK$280,000,000 (equivalent to approximately RMB250,000,000). All the completion conditions of the subscription agreement have been completed and the proceeds from the issuance were received by the Group in February and March 2020.

Impact on COVID-19

There is an outbreak of coronavirus disease (COVID-19) in early 2020 throughout the world. The Group expects the economy in Hong Kong and the PRC to be negatively impacted and this may potentially affect the Group's business and financial performance in 2020. As of the date of this announcement, the overall financial effect cannot be reliably estimated and are subject to further evaluation. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

Change in Board Lot Size

With effect from 11 March 2019, the board lot size for trading in shares of the Company on the Stock Exchange was changed from 2,000 shares to 500 shares.

Change of Company Name

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 16 May 2019 and approved by the Registrar of Companies in Cayman Islands and the Registrars of Companies in Hong Kong, the name of the Company was changed from "Branding China Group Limited" to "BC Technology Group Limited" and the Chinese name has been changed from "品牌中國集團有限公司" to "BC科技集團有限公司". The Change of Company Name better reflect the Group's future strategic direction and development plan.

Subscription of New Shares under General Mandate

Reference is made to the Company's announcement dated 27 May 2019 in relation to the subscription for new shares under general mandate.

On 27 May 2019, the Company entered into eight (8) subscription agreements with eight (8) subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for 22,876,360 ordinary shares ("Shares") at the subscription price of HK$5 per Share. The closing price of Shares on the date of entering the agreement (i.e. 27 May 2019, being the last trading day for the Shares before entering the agreements) was HK$5.83 per Share. The aggregate nominal value of the 22,876,360 subscription shares was HK$228,764. The Group was indebted to one of the Subscribers a loan of principal amount of HK$100,000,000 which was due on 11 July 2019. Such Subscriber agreed to set-off the outstanding loan in the amount of HK$100,000,000 due to it to satisfy the consideration payable under its Subscription Agreement for 20,000,000 Subscription Shares. Apart from the set-off of the loan mentioned above, the gross proceeds and the estimated net proceeds from the subscription were approximately HK$14.38 million and HK$14.3 million respectively. The Company intended to use the net proceeds for the payment of regular and recurring monthly expenditure of the Group. The net price per subscription share was approximately HK$5. The regular and recurring monthly expenditure of the Group amounted to approximately HK$20 million. As at 31 December 2019 the subscription was completed and an aggregate of 22,876,360 ordinary shares were allotted and issued to the subscribers and net proceeds of approximately HK$14.3 million had been received by the Company.

Use of Net Proceeds of the Allotment and Issue of New Shares

Reference is made to the Company's announcement dated 27 May 2019 in relation to the subscription of new shares under general mandate. As at 31 December 2019, the net proceeds of HK$14.3 million were fully utilised by the Group. Set forth is a summary of the utilisation of the net proceeds:

Purpose of the net proceeds	**Amount of net proceed intended to be allocated** *HK$ million (approximately)*	**Actual utilised amounts as of 31 December 2019** *HK$ million (approximately)*	**Unutilised amount as of 31 December 2019** *HK$ million (approximately)*
Payment of regular and recurring Monthly expenditures	**14.3**	**14.3**	**–**
	14.3	**14.3**	**–**

Subscription of New Shares and Convertible Note under Specific Mandate, and Issue of Unlisted Warrant under Specific Mandate

On 10 November 2019, the Company and the subscriber entered into the Subscription Agreement, under which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for, the 1,051,213 Subscription Shares for a total consideration of HK$7,800,000; and the Convertible Note in an aggregate principal amount of HK$15,600,000.

The Subscription Price was HK$7.42 per Subscription Share. The closing price of Shares on the date of entering the agreement (i.e. 10 November 2019, being the last trading day for the Shares before entering the agreement) was HK$8.13 per Share. The aggregate nominal value of the 1,051,213 Subscription Shares was HK$10,512.13. The Convertible Note was in a principal amount of HK$15,600,000 with the conversion price of HK$9.52 per conversion share. Based on the conversion price of HK$9.52 per conversion share, a maximum number of 1,638,655 conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Note in full. The aggregate nominal value of the 1,638,655 Conversion Shares was HK$16,386.55. The Convertible Note beared interest at the rate of 5% per annum and will mature on 31 December 2020.

On the same day, the Company and the subscriber entered into the Warrant Subscription Agreement, under which the Company conditionally agreed to issue to the Subscriber the Warrants conferring the rights to subscribe for a maximum number of 11,526,270 Warrant Shares. The Warrant Price of HK$0.0067 per Warrant Share (based on 11,526,270 Warrant Shares and the total warrant price of HK$78,000 and the aggregate nominal value of the 11,526,270 Warrant Shares was HK$115,262.7.

The subscriber is a member of the Jump Trading group of companies (the "Subscriber") and they are significant contributors to the orderly trade of a variety of asset classes worldwide and provide liquidity on over 100 global venues.

At the same time, the Company, the Subscriber, BC MarketPlace Limited ("BC MarketPlace") and OS Holdings Limited ("OS Holdings"), who are subsidiaries of the Company, entered into the Letter Agreement, pursuant to which: (a) immediately prior to Completion, OS Holdings shall repurchase from the Subscriber, and the Subscriber shall sell to OS Holdings, the convertible note in an aggregate principal amount of US$2,000,000 dated 14 December 2018 and issue to the Subscriber by OS Holdings ("OS CN") in consideration for an amount of US$2,000,000 for the repurchase of the OS CN to the Subscriber ("OS CN Repurchase Proceeds"); and (b) immediately prior to Completion, BC MarketPlace shall repurchase from the Subscriber, and the Subscriber shall sell to BC MarketPlace, the unlisted pre-paid warrant dated 14 December 2018 and issued by BC MarketPlace ("BC Warrant") in consideration for an amount of US$1,000,000 payable by BC MarketPlace to the Subscriber for the repurchase of the BC Warrant ("BC Warrant Repurchase Proceeds"); and (c) in lieu of the Subscriber directly receiving the OS CN Repurchase Proceeds, the Subscriber may elect to direct OS Holdings to pay all or any portion of the OS CN Repurchase Proceeds directly to the Company on behalf of the Subscriber in satisfaction of any portion of the Total Subscription Consideration; and (d) in lieu of the Subscriber directly receiving the BC Warrant Repurchase Proceeds, the Subscriber may elect to direct BC MarketPlace to pay all or any portion of the BC Warrant Repurchase Proceeds directly to the Company on behalf of the Subscriber in satisfaction of any portion of the Total Subscription Consideration; and (e) any Total Repurchase Proceeds so elected by the Subscriber to be so paid directly to the Company by OS Holdings or BC MarketPlace (as the case may be) on behalf of the Subscriber shall be deemed to have been paid directly by OS Holdings or BC MarketPlace (as the case may be) to the Subscriber, and then paid directly by the Subscriber to the Company in satisfaction of the applicable portion of the Total Subscription Consideration.

The Subscription Shares, the Conversion Shares and the Warrant Shares will be issued under the Specific Mandate. As a result of the Letter Agreement, the Total Subscription Consideration is wholly set-off against the Total Repurchase Proceeds, and, accordingly, there are no cash proceeds resulting from the Subscription. The gross proceeds and the estimated net proceeds from the Warrant Issuance are approximately HK$78,000. The Company intends to apply the net proceeds from the Warrant Issuance towards the general working capital of the Group.

In view of the development of the Group's digital asset business, the Company and the Subscriber agreed that repurchase of the BC Warrant and the OS CN, and the subscription for the Subscription Shares, the Convertible Note and the Warrant, together, had the effect of aligning the interests of the Subscriber with those of the Company and its businesses.

Please refer to the announcements of the Company dated 10 November 2019 and 25 March 2020 for more information.

The EGM is yet to be convened and the Subscription and the Warrant Issuance are yet to be completed.

REVIEW OF RESULTS

Overall Performance

For the year ended 31 December 2019 (the "Year"), the Group recorded total revenue and income of RMB164.7 million, representing an increase of approximately 13.6%, or RMB19.7 million, from RMB145.0 million for the year ended 31 December 2018 ("FY2018"), driven by better than expected performance from the digital asset business, which began in August 2018.

The operating loss of the Group was RMB206.6 million for the Year, representing an increase of RMB78.3 million or 61.0%, from net operating loss of RMB128.3 million for FY2018.

The net loss of the Group increased from RMB160.7 million for FY2018 to RMB245.1 million for the Year. The Group's net loss increased by RMB84.4 million or 52.5%.

Loss per share of the Group for the Year was RMB92 cents (FY2018: RMB64 cents).

Digital Assets and Blockchain Platform Business

The digital assets and blockchain platform business started in August 2018 and grew substantially in the Year, becoming the largest business revenue and income contributor to the Group. During the Year, the digital assets and blockchain platform business generated income of RMB71.6 million, which was up 736.9% as compared to income of RMB8.6 million in FY2018. The significant increase was driven by the increase in trading volume from the Group's digital asset trading services and the launch of SaaS business in FY2019. Income from facilitation of trading of digital assets, service fee from SaaS, interest income from inventories financing and other digital assets and blockchain platform related business were RMB66.9 million, RMB2.3 million, RMB1.4 million and RMB1.1 million, respectively. By using our proprietary platform technology, of the RMB66.9 million income from facilitation of trading of digital assets, RMB1.5 million was generated from clients who licensed our automatic trading platform.

Advertising and Business Park Area Management Services Businesses

Revenue from the advertising business for the Year was RMB57.9 million, a decline of RMB42.5 million or 42.4% as compared with FY2018. During the Year, the Group was further affected by the slowdown in the automotive industry resulting in declining macroeconomic growth in China and the unresolved Sino-US trade conflicts, which caused a significant reduction and control on Group client budgets and expenditures for advertising and marketing activities.

Rental income from business park area management services for the Year was RMB35.1 million, remaining steady as compared with RMB36.0 million in the FY2018.

As of 31 December 2019, the Group's cost of generating revenues from advertising and business park area management services mainly comprised expenses and costs for procuring advertising space, staff remuneration, event organising lease expense, production costs and holding the lease on the Business Park Area. The Group's cost of revenue for the Period was RMB68.6 million, representing a decrease of 25.5% or RMB23.5 million as compared with RMB92.1 million in FY2018. The cost of revenue decreased correspondingly with the declined revenue in the advertising business.

The gross profit for advertising and business park area management services for the Year was RMB24.4 million, representing a decrease of RMB19.9 million as compared to RMB44.3 million for FY2018. The Group's gross profit margin for advertising and business park area management services was 26.3% (FY2018: 32.5%). The decrease in the gross profit and gross profit margin was mainly attributable to the decrease in gross profit and gross profit margin in advertising business in the challenging business environment.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB10.2 million from RMB5.9 million for FY2018 to RMB16.1 million for the Year. The increase was mainly attributable to the full year effect of expense for the digital assets and blockchain platform business in the Year as compared with five months of expense in FY2018 and the increase in trading and sales staff for promoting the digital assets and blockchain platform business.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Year increased by RMB108.6 million to RMB277.3 million as compared to FY2018. Such increase was mainly due to the increase in expenditures related to establishing the corporate and technical infrastructure for the digital assets and blockchain platform business, including technology, legal and compliance, marketing, licencing, rental and staff costs. Also, only five months of expense in digital assets and blockchain business was recorded in FY2018, as compared with full year effect of expenses in the Year.

During the Year, research and development costs (mainly included in employee benefit expenses) was RMB41.3 million. Out of the total research and development costs, RMB8.5 million was capitalised as intangible assets. The addition of research and development cost was driven by the Group's effort to expand its technical capabilities and resources in digital assets and blockchain industry.

Net Loss

As a result, the net loss of the Group for the Year was RMB245.1 million, an increase of RMB84.4 million as compared with RMB160.7 million for FY2018. Despite the significant increase in income from digital assets and blockchain platform business, the increase in net loss was primarily due to the decrease in revenue and gross profit from advertising and business park area management services and the increase in expenditure for the expansion of operations for the digital assets and blockchain platform business which started in the second half of 2018.

Human Resources Cost

As at 31 December 2019, the Group had a total of 133 employees in both Hong Kong and China offices (31 December 2018: 260 employees). The total staff cost during the Year was RMB167.2 million (31 December 2018: RMB85.8 million). The increase in staff cost mainly due to only five months of expense in digital assets and blockchain platform business was recorded in FY2018, as compared with full year effect of expenses in the Year.

The Company operates a share option scheme for the purpose of providing incentives to, retaining, recognising and motivating eligible Directors and employees who make contributions to the Group. The Company has granted 2,851,111 share options under its share option scheme during the Year (2018: 17,148,889).

The Company also has adopted a new share award scheme to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group.

During the Year, no new Award Shares were allotted and issued. During FY2018, 9,836,474 new Award Shares were allotted and issued to the Trustee. Out of 9,836,474 Awarded Shares, 6,557,645 Awarded Shares will be vested on 3 September 2020. The remaining balance of 3,278,829 Awarded Shares will be vested on 3 September 2021.

Dividends

The Board has resolved not to recommend final dividend in respect of the Year to the holders of ordinary shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Overview

The digital asset industry is global, and has grown significantly in size and scope over the past two years. Throughout 2019, market sentiment for digital assets continued to improve, with total digital asset market capitalisation increasing from US$126 billion at the end of 2018 to US$194 billion at the end of 2019, and the sector saw increased participation from professional and institutional investors.

Accordingly, the Group's digital asset and blockchain platform business, OSL, achieved exceptional performance and became the main source of income for the Group for the Year. The OSL platform provides institutional-grade digital asset brokerage, automated trading, and custody services, as well as technology solutions based on a SaaS model to professional investors and traders in the digital asset sector.

The platform is an institutional gateway driving the next generation of capital markets with digital assets, setting industry standards for security, performance and compliance.

The Group's total digital assets inventories in 2019 amounted to approximately RMB446.6 million. Most of such inventories represent clients' asset deposited with us and therefore, the price risk of digital assets inventories related to the digital assets business is partly offset by remeasurement of digital assets liabilities of approximately RMB357.1 million and collateral payable of RMB31.9 million owing to clients correspondingly. As a result, the net exposure of digital assets for the Group during the Year was not significant and price movements in the digital assets are not expected to have a material impact on financial performance. Details can be referred to section headed "Price risk of digital assets inventories" on page 26 of this announcement.

As a result, and in view of a slowdown of an economic slowdown of the economy in Mainland China that will impact the Group's PRC-focused business, the Group continues to sharpen its focus on capturing growth in the digital asset sector.

This focus includes an expansion and diversification and investment in the OSL platform to capture market opportunities and grow income. As part of this effort, the Group, on behalf of its wholly-owned subsidiary OSL Digital Securities Limited ("OSL Digital"), was the first to submit in November 2019 an application for licenses to conduct Types 1 and 7 regulated activities under the SFC new regulatory framework for virtual asset trading platforms.

Furthermore, geographic expansion remains a priority for the Group as the market for its businesses becomes more global and it opened an office in Singapore in July 2019.

With current global attention on the regulation of digital asset markets, the Group is optimistic the coming year will bring significant opportunity for growth for its digital asset business and the wider digital asset ecosystem.

OSL: BC Group's digital asset and blockchain platform business

In second half of 2019, the Group consolidated its digital asset and blockchain platform business under the OSL brand. OSL is now the main digital asset platform service provider for the Group. The OSL platform and service mainly provides (1) trading in digital assets through manual over-the-counter ("OTC") brokerage services and automated trading platforms; and (2) digital asset trading and trading-related technology solutions based on a SaaS model to customers.

The OSL digital asset trading business generates income through trade commissions, fees or trading spreads from clients who buy and/or sell digital assets through the platform. Current clients include high-net-worth-individuals and professional investors.

In 2019, the Group recorded digital asset trading income of RMB71.6 million, representing a significant rise of 736.9% compared to 2018.

OSL's SaaS and trading-related systems service clients that operate digital asset trading platforms. Included in the SaaS and related service offering is operation and maintenance of relevant systems provided, management of digital wallet infrastructure, and, in some cases, trading and custody services. Clients of SaaS and related services utilise these systems and services to provide digital asset trading services to their clients.

Fees charged to customers may include, on a case by case basis, initial implementation fees and ongoing license and service fees. Part of such fees may be tied to, or calculated by reference to, the income earned by the clients from the operation of their respective digital asset trading services.

The SaaS trading and trading-related system services started in the second quarter of 2019. Revenue generated from the provision of SaaS and related service was RMB2.3 million for the Year.

Active customers for the OSL digital asset platform also increased by 150.6% compared to the previous year, with overall digital asset trading volumes up 611.9% YoY and reaching RMB45.7 billion for the Year.

The Group's OSL digital asset platform business was also enhanced in 2019 through the achievement of key milestone launches of Asia's first insured custody services for digital assets and a leading-edge automated trade matching service to facilitate trading in non-securities digital assets.

The insured custody service for digital assets ensures professional investors can store digital assets safely through the use of leading-edge technology and military-grade security protocols.

Furthermore, and to demonstrate the new capabilities of the OSL platform, the Group also launched under the platform ANXONE MarketPlace ("MarketPlace"), an automated trade matching service to facilitate trading in non-securities digital assets.

These new capabilities allow professional investors to trade with confidence and with the knowledge that their digital assets are kept safe, with operational and control processes that adhere to stringent security protocols and compliance checks.

The success of 2019 builds off a strong year in 2018, when the Group made significant investments to establish requisite corporate and technical infrastructure for its digital asset platform business, including incorporating best-in-class risk management, market surveillance and compliance systems for its SaaS and digital asset trade facilitation services under the OSL brand.

PRC advertising and business park area management services business

The Group's PRC-focused business includes the provision of professional customised above-the-line, outdoor, print and digital advertising and marketing communication services to automotive and other companies and operation and management services in the Jingan District of Shanghai.

In 2019, the automotive industry experienced an overall downward trend as a result of a number macroeconomic factors, such as the unresolved Sino-US trade conflict and an overall decline in consumer confidence. These factors in turn impacted the financial performance of many automobile companies, including customers of the Group, leading to stricter cost controls on customers' advertising, public relations and marketing activities. In 2019, revenue from the advertising and marketing communications business was RMB57.9 million, representing a decline of 42.4% compared to 2018. During the reporting period, the Group actively sought to identify new customer segments and broaden industry exposure to increase performance. In addition, the Group created a new business strategy for 2020 to identify and secure new customers from other sectors, specifically industrials, to further increase its revenue and client base.

Revenue generated from the Group's business park area management services segment in 2019 was RMB35.1 million, representing a slight 2.3% decline in revenue compared to 2018. The slight decrease of revenue was mainly due to the weaker overall economic conditions leading to a drop in the occupancy rate of the business park office space during the first quarter of 2019.

In the second quarter of 2019, an agreement was signed and executed under which Jingwei Park was fully leased and will be occupied by the real estate and shared workspace company, WeWork, until 2025. As such, revenue generated from this segment will be stable for the foreseeable future.

Risk Disclosures

The Group operates in three main business segments, including advertising business, business park area management services business and digital assets and blockchain platform business, each of which carries distinct risks related to their business model and correlation with the macroeconomic environment.

(a) Business development and the associated risks in 2019

During the year, the Group strategically expanded its digital assets and blockchain platform business lines, particularly as a service provider of technology and software solutions and as a facilitator of trading of digital assets.

Management considers that the risks and uncertainties associated with the digital assets trading business are largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance as well as the immature nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include identifying physical locations, expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

(b) Risk management of the digital asset and blockchain platform business

(i) Regulatory risk in relevant jurisdictions

The Group's digital asset trading businesses currently operate in Hong Kong and Singapore. In Hong Kong, the SFC has implemented a licensing regime for the regulation and licensing of digital asset trading platforms. As previously disclosed by the Group, OSL Digital Securities Limited, a wholly owned subsidiary of the Group, submitted an application to the SFC on 7 November 2019 for a license to operate as a digital asset trading platform in Hong Kong.

In addition, in Singapore, the Payment Services Act 2019 ("PSA") went into effect on 28 January 2020. Under the PSA, some of the digital asset trading businesses conducted by the Group in Singapore may become licensed and regulated by the Monetary Authority of Singapore ("MAS"). Accordingly, a Singapore-based wholly owned subsidiary of the Group has submitted a notification to the MAS that it is providing digital payment token services in Singapore and intends to formally submit an application for licensing.

In the event the applications in Hong Kong and Singapore are successful, the digital asset trading businesses of the Group in Hong Kong and Singapore will be subject to stringent regulatory compliance requirements, including, without limitation, anti-money laundering systems and controls, client asset protection and periodic reporting requirements.

To manage the enhanced risks and compliance frameworks associated with licensing, the Group has expended substantial resources to build a strong team of experienced legal, risk & compliance professionals, who are responsible for oversight of all business activities with respect to prevailing and potential regulatory frameworks applicable to the Group.

(ii) Price risk of digital assets inventories

The Group holds digital assets inventories in order to facilitate and support the settlement process of the digital asset trading business. The volatility and unpredictability of the price of digital assets relative to fiat currencies could cause significant impact to the Group's performance.

To manage the risk, the level of digital asset holdings is controlled by limits based on volatility, position size and liquidity, as approved by the Risk Committee and as overseen by the Group's Risk Department. During times of heightened price volatility, the Group may choose to reduce its digital asset inventory exposure either by selling down or entering into hedge transactions such as futures contracts.

The Group also holds digital assets that are not yet withdrawn by customers out of their accounts under the terms of its contracts with such customers. These digital assets are held in the Group's wallets which support rapid settlement of traded transactions, thereby minimising settlement risk for the Group. The inventory held in customers' accounts corresponds to a liability due to the customers with both the inventory and liability to customers recorded at fair value, therefore Group has no price volatility exposure from these holdings.

(iii) Risks related to safekeeping of assets

The Group maintains digital assets in both "hot" (connected to the Internet) and "cold" (not connected to the Internet) wallets. "Hot" wallets are more susceptible to cyber-attacks or potential theft due to the fact they are connected to the public internet.

To mitigate such risks, the Group has implemented guidelines and risk control protocols to dynamically adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital asset wallet solution for its wallets with comprehensive security controls and risk mitigation processes in place. Control procedures cover wallet generation, day-to-day wallet management and security, as well as monitoring and safeguarding of the Group's "hot" and "cold" wallets and public and private keys. In 2019, the Group has also obtained insurance from third-party insurance providers covering both its "hot" and "cold" wallets.

(iv) Risks related to source of funds and anti-money laundering

Digital assets are exchangeable directly between parties through decentralised networks that allow anonymous transactions; such transactions create complex technical challenges with respect to issues such as identification of parties involved and asset ownership.

To mitigate such risks, the Group has implemented policies and procedures for Anti-Money-Laundering ("AML"), Know-Your-Customer ("KYC"), and Know-Your-Business ("KYB") that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. These policies and procedures are being enhanced to comply with industry best-practice and FATF requirements and guidance as the industry moves towards regulation.

(v) Technology leakage risk

The Group's key competitive advantage lies in its blockchain-related technology IP and trade secrets. Should its IP and trade secrets be compromised, the Group could face risks in its ability to remain competitive and execute its strategy.

Technology leakage risks are mitigated by controls of information, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information security risks

The Group's and client information are maintained on proprietary data infrastructure in conjunction with services by cloud service providers. Such infrastructure is connected to the public internet and therefore subject to potential cyber-attacks.

To mitigate such risks, the Group's dedicated security team has implemented security controls including but not limited to multi-factor authentication, data and network segregation, system redundancy and encrypted backups, segregation of duties, least privilege principal, event monitoring and incident response.

(vii) New product risk

Prior to the deployment and release of new products and businesses to the Group's clients, every such new activity passes through a rigorous review process. The Group's New Product Committee reviews each proposal against business capability, impact on balance sheet as well as analyses the suite of risks that are typically inherent in such activities; particular attention is paid to operational risk, legal risk, regulatory risk, market, credit and liquidity risk. Approval to proceed with the proposed business or product will only be forthcoming once the committee is satisfied that all necessary controls and support function processes are fully implemented.

(viii) Credit Risk

In connection with the operation of the Group's digital asset trading business, the Group may enter into pre-funding arrangements, extended settlement arrangements or digital asset lending/borrowing arrangements with trading clients and counterparties (including third party digital asset trading platforms and exchanges), which may expose the Group to credit risk. Credit risk in this context is the risk of non-payment, non-repayment, non-performance or default by a counterparty in respect of its obligations to the Group in relation to the relevant digital asset transactions.

The Group's Risk Committee is responsible for managing credit risk exposure of the Group in connection with its digital asset trading businesses. To mitigate or reduce such credit risks, pre-funding limits, trading limits, settlements limits, collateral requirements and other counterparty limits are set and monitored by the Risk Department in accordance with policies and procedures approved by the Risk Committee of the Group.

(ix) Business continuity

The Group operates its technology stack with remote data centre sites and is implementing a business continuity and disaster recovery plan; disaster recovery capability is currently being built to ensure resilience against external and internal threats, allowing business activities to continue during catastrophes and crises, such as disruption of utilities or denial of physical access to business offices.

The Group regularly analyses Business Continuity Plan ("BCP") requirements for each business and support function in order to maintain a comprehensive physical disaster recover capability.

(x) Operational risk

Operational risk covers a spectrum of potential incidents and actions that may cause safety or health impairment of staff, financial loss, reputational damage, regulatory sanctions or loss of business capability. Such losses may arise from process weaknesses, lack of staff training, technology failures, honest errors or malicious actions by internal or external actors.

The Group's Operational Risk Committee is the central oversight and management function for all operational risk actions and related control activities. The Group's Risk Department specifically employs Operational Risk Managers who are empowered to test and challenge businesses and support functions so as to improve and enhance both controls and process flows. In addition, regular reviews of all departments are performed by way of Risk Control Self Assessments; such analyses form a component of business risk management as well as support independent oversight of operational risks within the Group.

PROSPECTS

In 2019, global markets saw the continued adoption of digital assets and more clear evidence of increased regulatory clarity for the asset class. Significant announcements by key regulatory bodies provided initial frameworks and guidelines that will govern the next phase of growth in the industry. Additionally, key institutional players in the financial services industry have publicly pledged financial support for digital assets and support the transformative potential of the asset class as part of future business endeavours.

Looking ahead, the Group will continue to invest in the OSL digital asset platform and service and provision of trading, technology and SaaS solutions and related service. Specifically, the Group intends to direct more resources towards sales and marketing to accelerate customer acquisition and revenue growth. The Group has already experienced evidence of mainstream adoption vis-a-vis increased enquiries from financial institutions that seek to offer digital asset trading venues through the OSL digital asset platform's SaaS offering. Given the Group's previous investment in building a comprehensive technology platform with requisite security, risk, and compliance systems; it is well positioned to serve institutions seeking turn-key solutions.

The Group will also continue to seek opportunities to grow its China advertising and business park services business. Despite the challenges of the current environment, the sales and marketing department will selectively pursue opportunities to target new customers and broaden industry exposure. The Group will also aggressively expand marketing efforts in Hong Kong to diversify its customer base in the technology and blockchain industries.

In 2019, the Group's investment in building software and service solutions, including its insured digital asset custody offering, has gained interest from institutional operators of digital asset platforms. The Group's market-leading software and services solutions will continue to attract institutional partners interested in building out their own digital asset capabilities. The Group considered the significant expenditure incurred in 2019 as necessary to mature the technology platform and prepare for future regulation. Human capital costs were realigned towards sales and marketing once the technology build-out was largely completed. In the coming years, the Group expects to generate significant operating leverage for the business as revenue generated from digital assets increases whilst the cost base remains closely managed.

In 2020, the Group will focus on monetising its technology platform as regulatory clarity slows incumbent digital asset players partnering with large institutions that require comprehensive and auditable risk, compliance, and operational frameworks. In anticipation of this 'changing of the guard,' the Group has invested heavily in preparing for the inevitable transition to licenced and regulated venues. Moreover, as the Group's product offering matures, further opportunities to market our robust suite of platform services will drive growth.

The Group is actively seeking funding through debt and equity in order to strengthen its working capital base and finance global expansion plans.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2019, the Group recorded total assets of RMB1,144.7 million (31 December 2018: RMB1,002.6 million), total liabilities of RMB1,211.0 million (31 December 2018: RMB968.0 million) and total deficit in shareholders' equity of RMB66.3 million (31 December 2018: Shareholder's equity of RMB34.6 million). As at 31 December 2019, the gross gearing ratio (defined as total liabilities over total assets) was approximately 105.79% (31 December 2018: 96.55%).

The Group mainly used internal cash flows from operating activities and borrowing to satisfy its working capital requirements.

As of 31 December 2019, total borrowings amounted to RMB338.2 million (31 December 2018: RMB237.0 million). The Group's borrowings comprised other loans denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). RMB204.2 million (31 December 2018: RMB123.4 million) borrowings were interest bearing with interest rates ranging from 4% to 8% per annum. The remaining borrowings were non-interest bearing. RMB164.8 million borrowings were secured by equity interest of a subsidiary, RMB deposits or digital assets. As at 31 December 2019, the Group was in a net debt position (2018: net cash position).

As at 31 December 2019, the Company had 18,103,334 outstanding share options (2018: 17,148,889). None of the options granted are vested as at 31 December 2019. If all of the remaining outstanding share options were exercised, gross proceeds of approximately HKD156.8 million (31 December 2018: HKD151.8 million) in aggregate would be raised before deducting any issuance expenses.

Treasury Policy

It is the Group's treasury management policy not to engage in any investment or speculative derivative instrument with high risks. During the Year, the Group continued to adopt a conservative approach in financial risk management and did not employ any material financial instrument for hedging purposes. Most of the assets, receipts and payments of the Group were denominated in RMB, HKD and United States dollars ("USD").

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group currently operates mainly in Hong Kong and mainland China. For operations in Hong Kong, most of the transactions are denominated in HKD and USD. The exchange rate of USD against HKD is relatively stable, and the related currency exchange risk is considered minimal. For operations in mainland China, most of the transactions are settled in RMB, the impact of foreign exchange exposure to the Group was minimal.

No financial instrument was used for hedging purposes for the period. However, the Group is closely monitoring the currency exchange risk of RMB and is looking for any opportunities to mitigate the currency exchange risk of RMB.

Material Acquisitions and Disposals of Subsidiaries and Associates

Save as disclosed in Note 14 to the consolidated financial statements, the Group did not have any material acquisitions and disposals of subsidiaries and associates during the Year.

Charge on the Group's Assets

As of 31 December 2019, the Group pledged certain amount of equity interest of a subsidiary, RMB deposits or digital assets.

Future Plans for material Investments or Capital Assets and Capital Expenditure Commitments

As of 31 December 2019, the Group had no capital expenditure commitments for property, plant and equipment (FY2018: RMB8.1 million). Apart from the aforesaid, the Group did not have any concrete future plans for material investments or capital assets and material capital expenditure commitments as at 31 December 2019.

Contingent Liabilities

As at 31 December 2019 and 31 December 2018, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE FINANCIAL POSITION DATE

Grant of Share Options and Awarded Shares

On 15 January 2020, the Company offered to grant a total of 1,700,000 Share Options to seven eligible employees of the Group and among the Share Options granted, 300,000 Share Options were granted to Mr. Tiu Ka Chun, Gary, an executive Director of the Company.

On the same day, the Company granted 3,288,974 Awarded Shares to four eligible employees of the Group pursuant to the terms of the Share Award Plan as incentives for their contribution to the Group. None of these grantees is a connected person of the Group. In relation to the 3,288,974 Awarded Shares, New Shares shall be allotted and issued as fully paid as par, pursuant to the 2019 General Mandate, to the Trustee pursuant to the terms of the Share Award Plan. Please refer to the announcement of the Company dated 15 January 2020 for more information.

Subscription of Shares

On 24 January 2020, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for 43,100,000 subscription shares at the subscription price of HK$6.50 per share. The closing price of Shares on the date of entering the agreement (i.e. 24 January 2020), was HK$7.82 per Share. The aggregate nominal value of the 43,100,000 Subscription Shares was HK$431,000.

The gross proceeds and the estimated net proceeds from the Subscriptions were approximately HK$280.15 million and approximately HK$280 million, respectively. The Company intended to use the net proceeds as to strengthen its balance sheet to meet the financial reserve requirements of its digital asset licensing plans. This will include (i) approximately HK$70 million for the repayment of loans; and (ii) approximately HK$210 million for general working capital and financial reserves of the Group. The net price per Subscription Share was approximately HK$6.50. Currently, the regular and recurring monthly expenditure of the Group amounted to approximately HK$17 million. Please refer to the announcement of the Company dated 24 January 2020 for more information.

Except as disclosed above and elsewhere in the financial statements, the Group did not have any other material events occurred subsequent to the financial position date.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the Year. Neither the Company nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2019, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code (the "GC Code") from time to time, as set out in Appendix 14 to the Listing Rules except for the following deviation:

Under Code Provision A.2.1 of the Corporate Governance Code, the role of both the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

During the period, Mr. Lo Ken Bon was appointed as Chief Executive Officer and has also assumed his responsibilities as Chairman. He is also the Chairman of the nomination committee. On 11 July 2019, Mr. Lo Ken Bon was appointed as Deputy Chairman of the Board and Mr. Madden Hugh Douglas was appointed as the Chief Executive Officer of the Company. The changes made have complied with the code provision. The Board will also continue to use its best endeavour to determine and appoint a suitable candidate to assume as the post of Chairman as soon as possible.

In respect of the code provision A6.7 of the Corporate Governance Code, Independent non-executive Directors should attend the general meeting of the Company. Mr. Chia Kee Loong, Lawrence was unable to attend the annual general meeting of the Company held on 28 June 2019 due to other work commitment. He will use his best endeavours to attend all future shareholders' meetings of the Company.

Save as disclosed above, throughout the year ended 31 December 2019 up to the date of this report, in the opinion of the Directors, the Group has complied with the code provision of the Corporate Governance Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry with all the Directors, each of the Directors confirmed that he has complied with the required standards as set out in the Model Code throughout the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict. Mr. Chau Shing Yim, David is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT OPINION

The auditor of the Group issued an opinion with an emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the Independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" below. For the details of "Notes 3.1 and 3.2 to the consolidated financial statements" referred to in the section of "Emphasis of Matter" below, please refer to the "Risk Disclosures" in the section of "BUSINESS REVIEW AND PROSPECT" in this announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Opinion

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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter

We draw attention to Notes 3.1 and 3.2 to the consolidated financial statements, which describe the risks and uncertainties with respect to blockchain technology and the evolving nature of the digital asset markets. The currently immature nature of digital asset markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the digital assets and blockchain platform business of the Group to unique risks. These conditions in our view are of such importance that they are fundamental to users' understanding of the Group's digital assets and blockchain platform business and the consolidated financial statements. Our opinion is not modified in respect of this matter.

By order of the Board
BC Technology Group Limited
Lo Ken Bon
Executive Director

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Lo Ken Bon, Mr. Ko Chun Shun, Johnson, Mr. Tiu Ka Chun, Gary, Mr. Madden Hugh Douglas and Mr. Chapman David James, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict.