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BC TECHNOLOGY GROUP LIMITED
BC 科 技 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, 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 2020

	Note	**2020** *RMB*	2019 *RMB*
Continuing operations			
Income from principal activities:			
— Income from digital assets and blockchain platform business	*5*	**151,142,665**	71,648,388
— Revenue from advertising business		**26,702,510**	57,897,897
— Rental income from business park area management services		**38,656,124**	35,142,160
		216,501,299	164,688,445
Cost of revenue		**(41,978,412)**	(68,602,787)
Other income		**5,736,476**	1,974,549
Other (losses)/gains, net		**(5,644,096)**	2,715,619
Selling and distribution expenses		**(106,440,569)**	(16,099,519)
Administrative and other operating expenses		**(294,745,364)**	(277,267,367)
Reversal of provision/(provision) for impairment losses on financial assets and contract assets, net		**2,166,573**	(13,971,737)
Operating loss		**(224,404,093)**	(206,562,797)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020**	2019
		RMB	*RMB*
Operating loss		**(224,404,093)**	(206,562,797)
Finance income		**9,195,553**	22,370,326
Finance costs		**(43,770,099)**	(62,463,116)
Finance costs, net		**(34,574,546)**	(40,092,790)
Loss before income tax		**(258,978,639)**	(246,655,587)
Income tax (expense)/credit	*6*	**(1,808,540)**	1,577,857
Loss from continuing operations		**(260,787,179)**	(245,077,730)
Profit/(loss) from discontinued operations (attributable to the owners of the Company)		**1,876,983**	(44,579)
Loss for the year		**(258,910,196)**	(245,122,309)
Other comprehensive income/(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		**32,888,041**	(3,059,991)
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		**(31,351,358)**	(1,350,391)
Other comprehensive income/(loss) for the year		**1,536,683**	(4,410,382)
Total comprehensive loss for the year		**(257,373,513)**	(249,532,691)
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(249,719,294)**	(243,535,868)
— Profit/(loss) from discontinued operations		**1,876,983**	(44,579)
		(247,842,311)	(243,580,447)
Non-controlling interests			
— Loss from continuing operations		**(11,067,885)**	(1,541,862)
		(258,910,196)	(245,122,309)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** **_RMB_**	2019 *RMB*
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (RMB per share)	*8*	**(0.80)**	(0.92)
Diluted (RMB per share)	*8*	**(0.80)**	(0.92)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (RMB per share)	*8*	**(0.79)**	(0.92)
Diluted (RMB per share)	*8*	**(0.79)**	(0.92)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(248,961,102)**	(247,972,500)
— Profit/(loss) from discontinued operations		**1,876,983**	(44,579)
		(247,084,119)	(248,017,079)
Non-controlling interests			
— Loss from continuing operations		**(10,289,394)**	(1,515,612)
		(257,373,513)	(249,532,691)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	**2020** *RMB*	2019 *RMB*
ASSETS			
Non-current assets			
Property, plant and equipment		**157,569,627**	205,361,704
Intangible assets		**44,340,574**	50,878,423
Prepayments, deposits and other receivables		**17,383,720**	122,313,540
Inventories due from counterparties		**–**	17,401,244
Deferred income tax assets		**3,718,149**	3,288,202
Total non-current assets		**223,012,070**	399,243,113
Current assets			
Inventories	*9*	**2,621,622,445**	446,561,751
Contract assets		**5,508,444**	28,370,842
Trade and bills receivables	*10*	**17,428,097**	34,108,709
Prepayments, deposits and other receivables		**160,215,693**	34,944,349
Inventories due from counterparties		**32,116,296**	6,960,714
Cash and cash equivalents		**348,904,373**	191,852,375
		3,185,795,348	742,798,740
Assets directly associated with assets classified as held for sale		**–**	2,627,398
Total current assets		**3,185,795,348**	745,426,138
Total assets		**3,408,807,418**	1,144,669,251
LIABILITIES			
Non-current liabilities			
Deposits received and other payables		**13,982,654**	13,448,181
Collateral payables		**–**	22,698,517
Lease liabilities		**128,092,688**	166,735,799
Borrowings		**67,041,916**	262,898,149
Financial liabilities at fair value through profit or loss		**–**	6,054,129
Deferred income tax liabilities		**7,580,477**	9,503,404
Total non-current liabilities		**216,697,735**	481,338,179

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2020

	Notes	2020 RMB	2019 RMB
Current liabilities			
Trade payables	*11*	**43,436,368**	41,243,692
Collateral payables		**151,513,578**	9,207,785
Accruals and other payables		**42,357,682**	51,288,746
Contract liabilities		**6,236,634**	2,556,873
Liabilities due to customers	*12*	**2,363,875,276**	496,189,194
Lease liabilities		**32,159,871**	29,808,175
Financial liability at fair value through profit or loss		**–**	13,524,247
Borrowings		**410,822,466**	75,325,596
Current income tax liabilities		**6,371,449**	3,564,262
		3,056,773,324	722,708,570
Liabilities directly associated with assets classified as held for sale		**–**	6,906,283
Total current liabilities		**3,056,773,324**	729,614,853
Total liabilities		**3,273,471,059**	1,210,953,032
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**2,793,627**	2,325,726
Other reserves		**850,225,674**	390,221,762
Accumulated losses		**(710,364,726)**	(461,802,447)
		142,654,575	(69,254,959)
Non-controlling interests		**(7,318,216)**	2,971,178
Total equity/(deficit)		**135,336,359**	(66,283,781)

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 digital assets and blockchain platform business in Hong Kong and Singapore, and the provision for traditional advertising and business park area management services in the People's Republic of China (the "PRC").

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 29 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies adopted are included in the consolidated financial statements. Those 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 the disclosure 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 payables, which are measured on fair value basis.

(c) Going concern basis

As at 31 December 2020, the Group had shareholders' equity of RMB135,336,359 (2019: shareholders' deficit of RMB66,283,781), and it had incurred a loss of RMB258,910,196 (2019: RMB245,122,309) for the year then ended.

Subsequent to the year end, the Company completed a placing of existing shares owned by an existing shareholder to certain independent placees and top-up subscription of new shares by that existing shareholder, and received net proceeds of approximately HKD657,998,000 (equivalent to approximately RMB545,600,000) in January 2021.

Management of the Group has prepared a cash flow projection covering a period of 12 months from 31 December 2020. 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 the above-mentioned share placement and share subscription.

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 2020. 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 framework for the first time for their annual reporting period commencing on 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 3	Definition of a business
Amendments to IFRS 9, IAS 39 and IFRS 7	Hedge accounting
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting

The adoption of amendments to standards and framework 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 amendments to standards and accounting guideline not yet adopted

Certain new amendments to standards and accounting guideline have been published that are not mandatory for financial year beginning on 1 January 2020 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest rate benchmark reform-phase 2	1 January 2021
Amendments to IFRS 16	COVID-19-related rental concession	1 January 2021
Annual improvements	Annual improvements to IFRSs 2018-2020	1 January 2022
Amendments to IAS 3, IFRS 16, and IFRS 37	Narrow-scope amendments	1 January 2022
Accounting guide 5	Revised accounting guide 5 Merger accounting for common control combination	1 January 2022
Amendments to IFRS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance contracts and the related amendments	1 January 2023
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 amendments to standards and accounting guideline 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/income 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 in the PRC (Note).

— 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 2020 and 2019 were classified as discontinued operations in the Group's consolidated financial statements. During the year ended 31 December 2020, the segment of wireless advertising was disposed.

(a) For the year ended 31 December 2020

	Continuing operations					Discontinued operations	
	Traditional advertising *RMB*	Business park area management *RMB*	Digital assets and blockchain platform business *RMB*	Unallocated *RMB*	Sub-total *RMB*	Wireless advertising *RMB*	Total *RMB*
Results							
Income from other sources:							
Income from digital assets and blockchain platform business *(Note 5)*	–	–	139,910,145	–	139,910,145	–	139,910,145
Rental income from business park area management services	–	38,656,124	–	–	38,656,124	–	38,656,124
Revenue from contracts with customers:							
Revenue from advertising	26,702,510	–	–	–	26,702,510	–	26,702,510
Service fee from SaaS *(Note 5)*	–	–	4,398,819	–	4,398,819	–	4,398,819
Interest income from inventories financing and other revenues *(Note 5)*	–	–	6,833,701	–	6,833,701	–	6,833,701
Segment results	3,447,827	20,952,030	150,123,030	–	174,522,887	–	174,522,887
Finance income	314,545	279,771	86	8,601,151	9,195,553	–	9,195,553
Finance costs	(47,078)	(11,226,836)	(5,152,217)	(27,343,968)	(43,770,099)	–	(43,770,099)
Reversal of provision/(Provision) for impairment losses on financial assets and contract assets, net	5,395,357	–	(3,228,784)	–	2,166,573	–	2,166,573
Unallocated (expenses)/income *(Note (ii))*	(6,176,991)	(3,065,025)	(278,969,306)	(112,882,231)	(401,093,553)	1,876,983	(399,216,570)
Profit/(loss) before income tax expense	2,933,660	6,939,940	(137,227,191)	(131,625,048)	(258,978,639)	1,876,983	(257,101,656)
Income tax (expense)/credit	(209,013)	(2,280,964)	–	681,437	(1,808,540)	–	(1,808,540)
Profit/(loss) for the year	2,724,647	4,658,976	(137,227,191)	(130,943,611)	(260,787,179)	1,876,983	(258,910,196)
Profit/(loss) for the year from continuing operations	2,724,647	4,658,976	(137,227,191)	(130,943,611)	(260,787,179)	–	(260,787,179)
Profit for the year from discontinued operations	–	–	–	–	–	1,876,983	1,876,983
	2,724,647	4,658,976	(137,227,191)	(130,943,611)	(260,787,179)	1,876,983	(258,910,196)
Assets and liabilities							
Reportable segment assets *(Note (iii))*	63,522,552	124,439,556	2,972,512,244	248,333,066	3,408,807,418	–	3,408,807,418
Reportable segment liabilities *(Note (iii))*	21,109,782	106,215,297	2,812,933,113	333,212,867	3,273,471,059	–	3,273,471,059
Other segment information							
Depreciation and amortisation	865,618	18,005,908	602,153	33,471,805	52,945,484	–	52,945,484

(b) 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*	Sub-total *RMB*	Wireless advertising *RMB*	Total *RMB*
Results							
Income from other sources:							
Income from digital assets and blockchain platform business *(Note 5)*	–	–	66,912,210	–	66,912,210	–	66,912,210
Rental income from business park area management services	–	35,142,160	–	–	35,142,160	–	35,142,160
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
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

Notes:

(i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the years ended 31 December 2020 and 2019.

(ii) Unallocated expenses and income mainly include salaries, rental expenses, consultancy and professional fees for head offices, net of gain on disposal of discounted operations.

(iii) Unallocated assets mainly include cash and cash equivalents held by head office and pledged deposits. Unallocated liabilities mainly include borrowings.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

During the year ended 31 December 2020, all sources of revenue from contracts with customers were recognised over time (2019: same).

	2020	2019
	RMB	*RMB*
Revenue from advertising business	**26,702,510**	57,897,897
Service fee from SaaS *(Note 5)*	**4,398,819**	2,261,879
Interest income from inventories financing *(Note 5)*	**2,853,333**	1,397,625
Others *(Note 5)*	**3,980,368**	1,076,674

5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2020	2019
	RMB	*RMB*
Income from digital assets and blockchain platform business:		
Trading of digital assets *(Note (a))*	**132,467,541**	67,601,608
Net fair value gain/(loss) on digital asset inventories *(Note (a))*	**7,442,604**	(689,398)
Service fee from SaaS	**4,398,819**	2,261,879
Interest income from inventories financing	**2,853,333**	1,397,625
Others	**3,980,368**	1,076,674
	151,142,665	71,648,388

Note:

(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 the digital asset trading business represents trading margin arising from trading various digital assets and net gains or losses from remeasurement of digital asset inventories to the extent it is not offset by remeasurement of digital asset liabilities due to customers arising from Digital Assets 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 a customer is concluded with fixed terms of trade with respect to the type, unit and price of digital assets.

6 INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong profits tax and Singapore corporate income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and Singapore during the year ended 31 December 2020 (2019: 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 2020 was 25% on their taxable profits (2019: same).

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

	2020	2019
	RMB	*RMB*
Continuing operations		
Current tax:		
PRC corporate income tax	**4,034,132**	2,159,357
Over-provision in prior years:		
PRC corporate income tax	**–**	(1,617,842)
Deferred income tax	**(2,225,592)**	(2,119,372)
Income tax expense/(credit)	**1,808,540**	(1,577,857)

7 DIVIDENDS

The Directors did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: 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:

	2020	2019
	RMB	*RMB*
Loss from continuing operations:		
Loss for the year attributable to owners of the Company	**247,842,311**	243,580,447
Add: Profit/(loss) for the year from discontinued operations (attributable to owners of the Company)	**1,876,983**	(44,579)
Loss for the year from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**249,719,294**	243,535,868

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:

	2020	2019
	RMB	*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	**247,842,311**	243,580,447

	2020	2019
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**314,026,487**	264,925,579
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (RMB per share)	**(0.80)**	(0.92)
Diluted (RMB per share)	**(0.80)**	(0.92)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (RMB per share)	**(0.79)**	(0.92)
Diluted (RMB per share)	**(0.79)**	(0.92)

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, share awards, convertible notes and warrant granted by the Company and the Company's subsidiaries could have potential dilutive effect on the loss per share. During the year ended 31 December 2020, the share options, share awards and a warrant granted by the Company (2019: the share options and share awards granted by the Company, and a convertible note and a warrant by the Company's loss-making subsidiaries) had anti-dilutive effect to the Group as the assumed conversion of these instruments would result in a decrease in loss per share.

9 INVENTORIES

	2020	2019
	RMB	*RMB*
Digital asset inventories:		
— Held in own wallets of the Group	**2,605,964,790**	446,561,751
— Digital assets held on exchange institutions *(Note)*	**15,657,655**	–
	2,621,622,445	446,561,751

Note: The digital assets held on third party exchange institutions are measured at fair value. They represent balance of digital assets attributable to the Group held in shared wallets of the third party exchanges.

As at 31 December 2020, inventory balance of approximately USD2,300,000 (equivalent to approximately RMB15,100,000) represents digital assets held on a trading account with a third party digital assets exchange ("Third Party Trading Platform") for the purpose of hedging risks arising from the digital asset trading business of a subsidiary of the Group. Due to inquiries by a governmental agency having jurisdiction over the Third Party Trading Platform, the Group's access to the trading account with the Third Party Trading Platform has been put on hold. The underlying digital assets held on the trading account comprised mainly Bitcoin and other stablecoins which continued to be measured at fair value at the year end. Management is confident that the Group can retrieve the digital assets balance once the governmental agency's inquiries are resolved with the Third Party Trading Platform.

10 TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB	*RMB*
Trade receivables from advertising and business park area management services	**16,368,978**	24,302,600
Less: Loss allowance	**(6,112,671)**	(9,695,606)
	10,256,307	14,606,994
Bills receivables from advertising business	**–**	2,247,811
Trade receivables from digital assets and blockchain platform business	**12,546,933**	22,121,930
Less: Loss allowance	**(5,375,143)**	(4,868,026)
	7,171,790	17,253,904
Trade and bills receivables	**17,428,097**	34,108,709

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 and blockchain platform business are generally required to prefund their accounts prior to trades. Trades with liquidity providers and certain counterparties that are considered creditworthy 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:

	2020	2019
	RMB	*RMB*
0 –30 days	**11,811,468**	18,699,932
31–90 days	**5,430,094**	1,160,083
91–180 days	**–**	4,923,915
181–365 days	**–**	3,619,024
Over 365 days	**186,535**	3,457,944
	17,428,097	31,860,898
Bills receivables	**–**	2,247,811
	17,428,097	34,108,709

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 year end, based on the invoice date, is as follows:

	2020	2019
	RMB	*RMB*
0–30 days	**37,125,707**	11,006,538
31–90 days	**1,457,500**	15,304,563
91–180 days	**636,344**	3,977,227
181–365 days	**2,473,500**	9,013,970
Over 365 days	**1,743,317**	1,941,394
	43,436,368	41,243,692

12 LIABILITIES DUE TO CUSTOMERS

	2020	2019
	RMB	*RMB*
Liabilities due to customers		
— Fiat currency liabilities	**233,668,217**	139,075,714
— Digital assets liabilities	**2,130,207,059**	357,113,480
	2,363,875,276	496,189,194

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 currency 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

	2020 Number of shares	**2020** *RMB*	2019 Number of shares	2019 *RMB*
Authorised:				
Ordinary shares of HKD0.01 each at 1 January 2019 and 31 December 2019 and 2020	**2,000,000,000**	**16,632,421**	2,000,000,000	16,632,421
Issued and fully paid:				
At the beginning of the year	**284,483,913**	**2,325,726**	261,607,553	2,123,981
Issuance of new shares *(Note a and b)*	**49,164,687**	**442,528**	22,876,360	201,745
Issuance of new shares upon the conversion of a convertible note *(Note c)*	**1,638,655**	**13,827**	–	–
Exercise of share options *(Note d)*	**1,333,778**	**11,546**	–	–
At the end of the year	**336,621,033**	**2,793,627**	284,483,913	2,325,726

Notes:

(a) On 24 January 2020, the Company allotted and issued 43,100,000 ordinary shares at a subscription price of HKD6.5 per share to 7 subscribers. Upon the issuance of the shares, HKD431,000 (equivalent to approximately RMB387,761) was credited to share capital and HKD279,719,000 (equivalent to approximately RMB251,657,201) was credited to share premium. (2019: 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 HKD5 per share. Upon the issuance of the shares, HKD228,764 (equivalent to approximately RMB201,745) was credited to share capital and HKD114,153,036 (equivalent to approximately RMB100,670,711) was credited to share premium.)

(b)(i) During the year ended 31 December 2020, the Company issued 5,013,474 new shares at HKD0.01 for each share to the Trustee, pursuant to the new share award plans adopted on 15 January 2020 and 13 August 2020, to recognise and reward the contribution of directors, employees and consultants for providing services to the Group. The Board applied HKD50,135 (equivalent to RMB45,193), in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.

(b)(ii) On 6 July 2020, the Company allotted and issued 1,051,213 ordinary shares of the Company to J Digital 5 LLC at a consideration of HKD7,800,000 and the subscription consideration was used to set off against the repurchase costs of as a settlement for repurchasing the warrant issued during the year ended 31 December 2018. Consequently, HKD10,512 (equivalent to approximately RMB9,574) was credited to share capital and HKD7,789,488 (equivalent to approximately RMB7,094,604) was credited to share premium.

(c) On 23 December 2020, J Digital 5 LLC exercised the conversion right to fully convert the convertible note into 1,638,655 ordinary shares of the Company at a conversion price of HKD9.52 per share. Consequently, HKD16,386 (equivalent to approximately RMB13,827) was credited to share capital and HKD16,281,117 (equivalent to approximately RMB13,738,180) was credited to share premium.

(d) During the year ended 31 December 2020, 1,333,778 share options were exercised by the employees and consultants for providing services to the Company and its subsidiaries. Consequently, HKD13,338 (equivalent to approximately RMB11,546) was credited to share capital and HKD14,830,232 (equivalent to approximately RMB14,552,554) was credited to share premium.

14 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Placing of existing shares and top-up subscription of new shares

On 5 January 2021, the Company and East Harvest Global Limited (the "Vendor") entered into the placing and subscription agreement with the Morgan Stanley & Co International PLC ("Placing Agent") pursuant to which the Placing Agent agreed to act as agent for the Vendor to place a total of 45,000,000 placing shares owned by the Vendor. At the same time, the Vendor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue to the Vendor 45,000,000 subscription shares with a total consideration of approximately HK$697,500,000 (equivalent to approximately RMB581,300,000). All the completion conditions of the subscription agreement have been completed and the net proceeds from the issuance were received by the Group in January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

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 J Digital 5 LLC ("J Digital") entered into the subscription agreement, under which the Company conditionally agreed to allot and issue to J Digital, and J Digital conditionally agreed to subscribe for, the 1,051,213 subscription shares ("JD Subscription Shares") for a total consideration of HKD7.8 million; and the convertible note ("Convertible Note") in an aggregate principal amount of HKD15.6 million (the "JD Subscription").

The subscription price was HKD7.42 per JD 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 HKD8.13 per Share. The aggregate nominal value of the 1,051,213 JD Subscription Shares was HKD10,512.13. The Convertible Note was in a principal amount of HKD15.6 million with the conversion price of HKD9.52 per conversion share. Based on the conversion price of HKD9.52 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 HKD16,386.55. The Convertible Note bears interest at the rate of 5% per annum and matured on 31 December 2020.

On the same day, the Company and J Digital entered into the warrant subscription agreement, under which the Company conditionally agreed to issue to J Digital warrants ("Warrant") conferring the rights to subscribe for a maximum number of 11,526,270 warrant shares (the "Warrant Issuance"). The warrant price of HKD0.0067 per warrant share was based on 11,526,270 warrant shares and the total warrant price of HKD78,000, and the aggregate nominal value of the 11,526,270 warrant shares was HKD115,262.7.

J Digital is a member of the Jump Trading group of companies (the "Subscriber") and they are significant contributors to the orderly trading of a variety of asset classes worldwide (including equities, futures, commodities, currencies, fixed income, and digital assets) and provide liquidity on over 100 global venues.

At the same time, the Company, J Digital, BC MarketPlace Limited ("BC MarketPlace") and OS Holdings Limited ("OS Holdings"), which are subsidiaries of the Company, entered into the letter agreement ("Letter Agreement"), pursuant to which: (a) immediately prior to completion of the JD Subscription ("JD Completion"), OS Holdings shall repurchase from J Digital, and J Digital shall sell to OS Holdings, the convertible note in an aggregate principal amount of USD2 million dated 14 December 2018 and issued to J Digital by OS Holdings ("OS CN") in consideration for an amount of USD2 million for the repurchase of the OS CN to J Digital ("OS CN Repurchase Proceeds"); and (b) immediately prior to JD Completion, BC MarketPlace shall repurchase from J Digital, and J Digital shall sell to BC MarketPlace, the unlisted prepaid warrant dated 14 December 2018 and issued by BC MarketPlace ("BC Warrant") in consideration for an amount of USD1 million payable by BC MarketPlace to J Digital for the repurchase of the BC Warrant ("BC Warrant Repurchase Proceeds"); and (c) in lieu of J Digital directly receiving the OS CN Repurchase Proceeds, J Digital 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 J Digital in satisfaction of any portion of the total subscription consideration; and (d) in lieu of J Digital directly receiving the BC Warrant Repurchase Proceeds, J Digital 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 J Digital in satisfaction of any portion of the total subscription consideration; and (e) any Total Repurchase Proceeds so elected by J Digital to be so paid directly to the Company by OS Holdings or BC MarketPlace (as the case may be) on behalf of J Digital shall be deemed to have been paid directly by OS Holdings or BC MarketPlace (as the case may be) to J Digital, and then paid directly by J Digital to the Company in satisfaction of the applicable portion of the total subscription consideration.

The JD Subscription Shares, the conversion shares and the warrant shares were issued under a specific mandate ("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 JD Subscription. The gross proceeds and the net proceeds from the Warrant Issuance are approximately HKD78,000.

The Company applied 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 J Digital agreed that repurchase of the BC Warrant and the OS CN, and the subscription for the JD Subscription Shares, the Convertible Note and the Warrant, together, had the effect of aligning the interests of J Digital with those of the Company and its businesses.

On 6 July 2020, all conditions precedent to the JD Subscription and the Warrant Issuance as set out in the subscription agreement and the warrant subscription agreement were fulfilled, and the JD Subscription and the Warrant Issuance were completed. On the same day, 1,051,213 Shares were allotted and issued by the Company to J Digital, the Convertible Note and the Warrant were issued by the Company to J Digital, in each case under the Specific Mandate granted by the shareholders at the extraordinary general meeting held on 17 June 2020.

On 23 December 2020, 1,638,655 conversion shares were allotted and issued by the Company to J Digital under the Specific Mandate granted by the shareholders at the extraordinary general meeting held on 17 June 2020.

As at 31 December 2020, all proceeds were used as intended.

For further details, please refer to the announcements of the Company dated 10 November 2019, 25 March 2020 and 6 July 2020, and the circular of the Company dated 1 June 2020 for more information.

Subscription of New Shares under General Mandate

Reference is made to the Company's announcement dated 24 January 2020 in relation to the subscription for new shares under general mandate.

On 24 January 2020, the Company entered into the subscription agreements with various subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for 43,100,000 subscription shares ("January Subscription Shares") at the subscription price of HKD6.50 per January Subscription Share. The subscribers are professional, institutional and individual investors. The closing price of January Subscription Shares on the date of entering the agreement (i.e. 24 January 2020), was HKD7.82 per Share. The aggregate nominal value of the 43,100,000 January Subscription Shares was HKD431,000.

The Company considered that issuance of the January Subscription Shares represented an opportunity to raise capital for the Group while broadening its shareholder base and would also strengthen the financial position of the Group.

The gross proceeds and the net proceeds from the subscriptions were approximately HKD280.15 million and approximately HKD280 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 would include (i) approximately HKD70 million for the repayment of loans; and (ii) approximately HKD210 million for general working capital and financial reserves of the Group. The net price per January Subscription Share was approximately HKD6.50. Currently, the regular and recurring monthly expenditure of the Group amounts to approximately HKD17 million.

As at 30 June 2020, the subscription was completed and an aggregate of 43,100,000 ordinary shares were allotted and issued to the subscribers and net proceeds of approximately HKD280 million had been received by the Company.

As at 31 December 2020, all the proceeds from January Subscription Shares have been utilised as intended subsequent to the subscription as set out under the section "Reasons for the Subscription and Use of Proceeds" of the Company's announcement dated 24 January 2020.

License granted by the SFC to operate virtual asset trading platform

On 6 November 2019, the Securities and Futures Commission (the "SFC") issued a position paper setting out a new regulatory framework ("Framework") for the regulation of virtual asset trading platforms in Hong Kong. Under the terms of the Framework, virtual asset trading platforms which meet the stipulated requirements may apply to the SFC to become licensed to conduct Type 1 and Type 7 regulated activities in respect of their virtual asset trading platform businesses.

On 7 November 2019, the Company, on behalf of its wholly-owned subsidiary OSL Digital Securities Limited ("OSL Digital Securities"), submitted an application to the SFC, in accordance with the requirements of the Framework, for a license (the "License") to operate as a virtual asset trading platform in Hong Kong.

On 15 December 2020, OSL Digital Securities was granted the License by the SFC to operate a regulated brokerage and automated trading service for digital assets in Hong Kong and is the first and currently, only trading platform to be licensed by the SFC to deal in virtual assets (including security tokens).

For further details, please refer to the announcements of the Company dated 7 November 2019, 21 August 2020 and 15 December 2020 for more information.

REVIEW OF RESULTS

Overall Performance

For the year ended 31 December 2020 (the "Year"), the Group recorded total revenue and income of RMB216.5 million, representing an increase of approximately 31.5%, or RMB51.8 million, from RMB164.7 million for the year ended 31 December 2019 ("FY2019"), driven by an increase in trading income from the OSL digital asset and blockchain platform business.

The operating loss of the Group was RMB224.4 million for the Year, representing an increase of RMB17.8 million or 8.6%, from net operating loss of RMB206.6 million for FY2019.

The net loss of the Group increased from RMB245.1 million for FY2019 to RMB258.9 million for the Year, an increase of RMB13.8 million or 5.6%.

Loss per share of the Group for the Year was RMB79 cents (FY2019: RMB92 cents).

Digital Assets and Blockchain Platform Business: OSL

The OSL digital asset 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 RMB151.1 million, which was up 111.0% as compared to income of RMB71.6 million in FY2019. The significant increase was driven by the increase in trading volume from the Group's digital asset trading services and the provision of digital asset SaaS and related services.

Income from facilitation of trading of digital assets, service fees from SaaS, interest income from inventories financing and other digital asset and blockchain platform related business were RMB139.9 million, RMB4.4 million, RMB2.8 million and RMB4.0 million, respectively. Of the RMB151.1 million in income from the digital asset and blockchain platform business, RMB8.8 million was generated from services fees or trading income from our licensed SaaS customers.

Advertising and Business Park Area Management Services Businesses

Revenue from the advertising business for the Year was RMB26.7 million, a decline of RMB31.2 million or 53.9% as compared with FY2019. During the Year, the Group was further affected by the declining macroeconomic growth in Mainland China and the continuing impact of COVID-19, which caused a significant reduction and control on the Group's client budgets and expenditures for advertising and marketing activities.

Rental income from business park area management services for the Year was RMB38.7 million, representing an increase of RMB3.5 million as compared to RMB35.1 million in FY2019.

During the Year, the cost of generating revenues from advertising and business park area management services mainly comprised expenses and costs for procuring advertising space, staff remuneration, event organisation, lease expense, production costs and holding the lease on the business park area. The cost of revenue from advertising and business park area management services for the Year was RMB41.0 million, representing a decrease of 40.3% or RMB27.6 million as compared with RMB68.6 million in FY2019. The cost of revenue decreased correspondingly with the decline in revenue in the advertising business.

The gross profit for advertising and business park area management services for the Year and FY2019 was RMB24.4 million and RMB24.4 million respectively. The Group's gross profit margin for advertising and business park area management services was 37.3% (FY2019: 26.3%). The increase was mainly attributable to the increase in the proportion of rental income from the business park area management services segment which generated higher gross profit margins.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB90.3 million from RMB16.1 million for FY2019 to RMB106.4 million for the Year. The increase was mainly attributable to Warrant expenses incurred for the Year. The intention of the Warrant is to promote liquidity within the Group's trading platforms by encouraging trading activities of J Digital in order to create quantitative benefits to the Group in the form of trading commissions or revenues resulting from client transaction volumes attributable to the liquidity provided.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Year increased by RMB17.5 million to RMB294.7 million as compared to FY2019. The increase was mainly due to the increase in share-based payment expenses in the second half of the Year ("2H2020"). Excluding the share-based payments expenses, administrative and other operating expenses for the Year decreased by 7.9% as a result of the tightened controls on expenditures related to business trips, marketing and professional services.

During the Year, research and development costs (mainly included in employee benefit expenses) was RMB33.2 million. Out of the total research and development costs, RMB9.0 million was mainly capitalised as contract assets and intangible assets. The addition of research and development cost was driven by the Group's effort to expand its technical capabilities and resources in the digital asset and blockchain industry.

Net Loss

Net loss of the Group for the Year was RMB258.9 million, an increase of RMB13.8 million as compared with RMB245.1 million for FY2019. Despite the significant increase in income from the digital assets and blockchain platform business for the Year, the increase in net loss was primarily due to Warrant expenses.

Human Resources Cost

As at 31 December 2020, the Group had a total of 144 employees in Hong Kong, Singapore and Mainland China (FY2019: 133 employees). The total staff cost during the Year was RMB198.1 million (FY2019: RMB167.2 million). The increase in staff cost was mainly due to the increase in share-based payment expenses in 2H2020.

The Company operates a share option scheme for the purpose of providing incentives to, retaining, recognising and motivating eligible Directors, employees and other eligible participants who make contributions to the Group. The Company has granted 24,838,500 share options under its share option scheme during the Year (FY2019: 2,851,111).

The Company has also adopted a share award plan 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.

The Company has granted 5,013,474 new shares ("Awarded Shares") under its share award plan during the Year (FY2019: 9,836,474). Among 5,013,474 Awarded Shares granted, (i) in respect of 3,288,974 Awarded Shares, two-thirds of the Awarded Shares have been vested on 3 September 2020 and one-third of the Awarded Shares will be vested on 3 September 2021; and (ii) in respect of 1,724,500 Awarded Shares, one-fourth of the Awarded Shares will be vested on each of 4 September 2021, 4 September 2022, 4 September 2023 and 4 September 2024.

BUSINESS REVIEW AND PROSPECTS

Overview

As global markets experienced unprecedented financial stimulus in 2020 in response to COVID-19, digital asset regulation and investment gained significant momentum globally, with licenses awarded in Hong Kong, and Bitcoin ("BTC"), Ethereum ("ETH") and other core tokens breaking previous records for price and market capitalization. Digital assets are now being regulated and adopted by mainstream finance at a breakneck pace.

The Group built its OSL digital asset platform to capitalize on these market shifts, and as a result of this foresight, OSL continued its pace of outperformance in the Year, with a 111.0% year-over-year ("YOY") increase in revenues to RMB151.1 million, bolstering the performance of the Group, which saw overall revenues increase 31.5% YoY to RMB216.5 million. OSL continues to be the Group's best performing business and largest revenue contributor and comprises 69.8% of all Group income and revenues, up from 43.5% in FY2019.

The mission of OSL is to deliver best-in-class access to digital assets, setting the global standard for innovation, performance, security, and compliance, and 2020 saw the business continue to make significant accomplishments in pursuit of this goal.

In December 2020, the Group's wholly owned subsidiary OSL Digital Securities became the first company to receive a license from the SFC to conduct Type 1 (dealing in securities) and 7 (providing automated trading services) regulated activities related to digital asset, a significant milestone for the Group as well as the growing regulated digital asset industry. Digital asset regulations in Hong Kong are similar to those already governing the securities markets in the territory, making it one of the most comprehensive and investor-friendly jurisdictions for institutional and professional investors to access and trade digital assets.

OSL's vision is to lead the regulated, institutional evolution of the digital asset market. Accordingly, the OSL platform provides interoperable institutional-grade financial services directly to professional counterparties for digital asset brokerage, automated trading (i.e. exchange), and custody. It also builds customized SaaS technology solutions for customers such as banks and other large financial institutions with a B2B2C model, which can include any combination of the OSL's digital asset financial services, driving scale and distribution.

OSL is now the world's only SFC-licensed, Big-Four-audited, listed and insured digital asset platform for institutions and professional investors. The SFC license also allows OSL to list and trade security token offerings (STOs), a first-of-its-kind endeavor in Hong Kong. The Group views the emerging STO market as a key opportunity to further engage institutional investors and grow revenues.

The Group's Mainland China business met with mixed results during the Year as a result of the COVID-19 pandemic, a slowing economy and a softening automotive sector in Mainland China, which also adversely impacted the ability of its advertising and marketing clients to spend on its services. While the business park management services business saw a 10.0% YoY increase in revenues to RMB38.7 million compared to RMB35.1million in FY2019, the advertising business declined 53.9% from RMB57.9 million in FY2019 to RMB26.7 million in the Year.

As a result, and in light of the ongoing impact of COVID-19 and other macroeconomic factors that will continue to impact its Mainland China-based business, the Group remains steadfast in its commitment to capitalizing on opportunities that arise from a growing tide of institutional investment inflows in the newly established regulated digital asset financial services sector.

This includes further investment in the OSL digital asset business in terms of technological capability, regulatory compliance, human capital, and geographic footprint to continue to grow revenues and customer numbers. In the first half of 2020, the Group saw two important product launches that contributed to its growth, a comprehensive OSL SaaS product suite for digital asset trading; and the OSL Exchange, its best-in-class digital asset exchange designed for professional traders.

In addition, the Group in 2H2020 submitted an application to the Monetary Authority of Singapore ("MAS") to be licensed under the Payment Services Act 2019 (the "PSA") as a Major Payment Institution ("MPI") providing digital payment token ("DPT") services. Additionally, in 2H2020, the Group acquired intellectual property assets from blockchain engineering firm Enuma Technologies ("Enuma"), and on-boarded Antoine Cote as the Group's chief technology officer.

Cote has more than 20 years of experience as an entrepreneur and engineer, including the last 5 as the co-founder and chief executive officer of Enuma and 12 years at Microsoft, where he led large engineering teams in the United States and Mainland China, and was awarded 14 design patents from the United States Patent Office.

The intellectual property included bridgepoint.io, a SaaS-based digital asset portfolio management system, market data infrastructure, and algorithmic pricing and lending platform with blockchain integration, which will supplement the Group's OSL platform product offerings to regulated asset managers, and will be integrated into OSL's deep liquidity pools.

Part of the Group's strategy is also to enter markets where it has a right to win as the business grows, and in 2H2020, the Group opened a research and development center in the United Kingdom.

The financial world has accepted the legitimacy of the digital asset class, and the coming year is set to usher in a new era of financial services with digital assets. With its first-mover approach to regulatory compliance and unique market positioning, the Group remains confident that 2021 will provide significant opportunities for the OSL digital asset business to continue its growth trajectory as the wider digital asset ecosystem expands.

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

During the Year, the OSL digital asset and blockchain platform business further cemented itself as the Group's core strategic focus and revenue driver, with a nearly three-year track record of continued outperformance, despite significant headwinds from the global macroeconomic impact of COVID-19, and total assets on platform for OSL grew 487.1% YoY to RMB2.6 billion.

Active customers for the OSL digital asset platform also increased by 130% compared to the previous year, with overall digital asset platform trading volumes up 228% YoY to RMB149.4 billion for the Year.

Buoyed by its successful licensing efforts in Hong Kong in 2020, as well as business and operational milestones, geographic expansion, and the rapidly increasing demand for digital asset financial services in Asia over the Year, OSL is now a globally known, market-leading platform for institutions and professional investors to securely transact with digital assets.

The SFC license, which permits OSL Digital Securities to operate regulated brokerage and automated trading services for digital assets, was granted after the company opted into the SFC's virtual asset regime and successfully underwent the SFC's rigorous vetting requirements over the course of more than a year. OSL Digital Securities offers customers safe, secure and compliant trading access to BTC, ETH and other high-quality cryptocurrencies, along with selected STOs.

OSL's institutional-focused prime brokerage business and trading business generated the majority of revenues for the platform, which benefited from market volatility throughout the Year.

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. During the Year, the Group recorded income from the digital asset and blockchain platform business of RMB151.1 million, representing a significant rise of 111.0% compared to FY2019.

Additionally in the Year, OSL continued to roll out its market-leading SaaS to global clients, onboarding DBS Bank as a technology client in 2H2020. OSL's B2B2C SaaS model provides access to a number of markets and customer segments in both digital assets and traditional finance. With a robust pipeline of potential SaaS clients, the Group is optimistic on the prospects of continuing to grow and scale its SaaS offering to large financial institutions, and this will be a strategic focus of OSL in the coming months and years, with additional major SaaS clients to be announced in due course.

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. Fees charged to customers may include initial implementation fees and ongoing license and service fees. The SaaS trading and trading-related system services started in the second quarter of 2019. Revenue generated from the provision of SaaS and related services was RMB8.8 million for the Year, an increase of 132.0% from the previous year.

OSL's accomplishments in 2020 extend its established track record of success from 2019 and 2018, when the Group made significant efforts and investments in the platform business in terms of human capital, branding, technology infrastructure, and regulatory compliance. These efforts have borne fruit and allowed OSL to position itself as a first-mover and market leader with the capability to service the rapidly growing professional, regulated digital asset financial services sector.

PRC advertising and business park area management services business

The Group has two core Mainland China businesses, a business park area management services business and an advertising and marketing communications services business.

The Group's business park area management services business provides operations and management services for commercial property in the Jingwei Park business park in Shanghai.

During the Year, rental income generated from the business park area management services segment was RMB38.7 million, representing an increase of 10.0% compared to RMB35.1million in FY2019. The rise in rental income was mainly due to the increase in occupancy rate of the business park office space from 95.2% in FY2019 to 100% in the Year. The business park was fully leased and occupied by a leading real estate and shared workspace company under a long-term agreement. Stable rental income is expected from this segment for the foreseeable future.

The Group's advertising business includes the provision of professional and customised one-stop integrated marketing communication services to customers through diversified communication platforms comprising traditional advertising, digital advertising and roadshows. Traditional advertising includes outdoor, TV and print advertising while digital advertising mainly covers blogging and bulletin board sites. The Group's major customers are from the automotive industry.

Historically, the Group's advertising revenue was mainly attributable to traditional advertising. In recent years, there has been a shift in the market from traditional to digital advertising services across Mainland China, and this has impacted the Group's traditional advertising business.

The macro-environment during 2020 also presented challenges to the Group's Mainland China business as a result of the ongoing US-China trade war and the continued impact of the COVID-19 pandemic.

As a result of the these factors, the Group's advertising business revenues declined 53.9% from RMB57.9 million in FY2019 to RMB26.7 million during the Year.

RISK DISCLOSURES

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

(a) Business development and the associated risks in 2020

The Group's digital assets and blockchain platform business includes an OTC trading business for trading digital assets, the provision of automated digital assets trading services through its proprietary platforms and the provision of digital assets SaaS and related services.

Management considers the risks and uncertainties associated with the digital assets and blockchain platform business largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, and the ever-evolving 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. OSL Digital Securities, 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. On 15 December 2020, OSL Digital Securities was granted the license by the SFC to operate a regulated brokerage and automated trading service for digital assets in Hong Kong.

In addition, in Singapore, the 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 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 has subsequently formally submitted an application for licensing.

Given the successful license application in Hong Kong and pending application in Singapore, the digital asset trading businesses of the Group in Hong Kong is, and in Singapore will be, subject to stringent regulatory compliance requirements, including, without limitation, minimum capital and liquid assets, anti-money laundering systems and controls, business continuity, client asset protection, periodic reporting and financial and compliance audit requirements.

The Group continues to explore opportunities for further expansion of its business presence in other jurisdictions, including jurisdictions which may require the Group or its subsidiaries to apply for and hold further regulatory licenses, authorizations or permits.

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 and compliance professionals, who are responsible for oversight of all business activities with respect to prevailing and potential regulatory frameworks applicable to the Group.

As a consequence of the operational resources, system requirements, staffing requirements and capital costs associated with operating licensed or regulated digital asset businesses, the operating costs of the Group may increase. However, the Group believes this reflects the future trend of this industry as it develops and matures to meet the needs of traditional financial institutions as well as increasing regulatory oversight.

(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 these risks, 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. Additionally, the Group has implemented policies for the review and assessment of each type of digital assets that may be admitted to be traded via its trading services, and such reviews and assessments take into account the liquidity and volatility of the price of such digital asset.

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. Unless required to do otherwise by applicable laws, regulations or conditions of license relating to any licensed entities of the Group, 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. Alternatively, where licensed entities of the Group are required to hold customers' assets on trust for the customers, such assets constitute trust assets, and are not accounted for as assets of the Group, and do not give rise to liabilities to the relevant customers. Therefore, in either case, the Group has no price volatility exposure from these holdings.

(iii) Risks related to safekeeping of assets

The Group maintains digital asset inventories 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 2020, 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. In enhancing these policies and procedures, we have considered industry best-practice, MAS requirements and FATF recommendations 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 has implemented business continuity and disaster recovery plans; the disaster recovery capability has been implemented 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 affecting both the Group and its counterparties 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.

(xi) Performance risk

The Group provides a range of technology services under its SaaS offering to third party clients to operate their own digital asset services. Such services are governed under service contracts which may provide for various remedies for customers against the Group in the event of non-performance or performance which fall short of agreed standards, as well as breach of other contractual obligations relating to the provision of such services.

The Group may be exposed to contractual claims by customers as a result of any such non-performance or breach, and the factors which contribute to operational, business continuity, information security, technology leakage risks discussed above may also result in performance risks to the Group under such customer contractual relationships.

The Group mitigates such risks by implementing strict internal contract review procedures to ensure contractual performance undertakings are properly reviewed and assessed, potential contractual liabilities are proportionately limited against the commercial values of contractual engagements, and the scope of services and performance are properly defined against the technical capabilities of the Group.

PROSPECTS

In 2020, the Group's operations proved to be extremely resilient despite navigating the COVID-19 pandemic.

During the Year, global financial markets saw an unprecedented influx of fiscal stimulus that spurred interest in digital assets as investors looked to further diversify portfolios. Moreover, improved regulatory clarity for the asset class paved the way for significant, large-scale institutional adoption against a dynamic macroeconomic backdrop. These factors fueled growth in the sector, and the Group is well-positioned moving forward to benefit from this momentum and the emergence of more institutional and professional investors seeking a safe, secure, and regulated counterparty in the digital asset space.

Building upon geographic expansion in 2019, the Group's digital asset arm, OSL, was strengthened by a growing and diverse customer base and buttressed by operational redundancies that mitigated potential business disruption during the pandemic.

Strategic investments in regulatory compliant software, systems and processes by the Group paid dividends in 2020, and OSL Digital Securities became Hong Kong's first licensed digital asset trading platform to conduct types 1 and 7 regulated activities related to digital assets. This milestone contributed to material business wins with several partners from traditional finance that were attracted by favorable regulatory conditions and OSL's proven technology, and will now offer digital assets to clients through OSL SaaS or custody solutions.

Looking ahead, the Group will continue to invest in the OSL digital asset platform and the provision of trading, technology, SaaS solutions and related services, with a focus on enhancing security, compliance, and risk management systems. Renewed investment in technology and human capital will also be key to ensure operational resiliency, scalability and security. More specifically, the Group intends to direct resources to its recently licensed exchange platform in Hong Kong to drive customer acquisition and revenue growth.

Key strategic initiatives for growth in 2021 focus on monetising the Group's technology platform directly via OSL trading venues, and via its SaaS offering. The Group is also committed to growing its client roster of leading financial institutions that have an appetite for digital assets and require the comprehensive and auditable risk, compliance, and operational frameworks that OSL provides.

Regulatory clarity continues to emerge, and this is in part driving a digital asset investment to licensed and regulated venues. In this environment, the Group has the opportunity to grow the scope and geographical reach of its product offering. In addition, we will evaluate entry into those markets into which the Group has a right to win and establish partnerships or SaaS distribution where it does not.

Acquisitions also continue to be an important part of the Group's strategy and use of capital. The Group expects to pursue opportunities to enhance the breadth and depth of its offering, and expand its expertise in engineering and other functional areas.

The Group will maintain its Mainland China advertising and business park services business lines. However, the Group believes that growth in its digital asset financial services platform and SaaS offering will continue to outpace existing advertising and business park area management services as market conditions favor new technology and investment strategies.

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 2020, the Group recorded total assets of RMB3,408.8 million (31 December 2019: RMB1,144.7 million), total liabilities of RMB3,273.5 million (31 December 2019: RMB1,211.0 million) and shareholders' equity of RMB135.3 million (31 December 2019: total deficit in Shareholder's equity of RMB66.3 million). As at 31 December 2020, the gross gearing ratio (defined as total liabilities over total assets) was approximately 96.0% (31 December 2019: 105.8%).

The Group mainly used internal cash flows from operating activities, borrowings and issuing equity to satisfy its working capital requirements.

As of 31 December 2020, total borrowings amounted to RMB477.9 million (31 December 2019: RMB338.2 million). The Group's borrowings comprised other loans denominated in Hong Kong dollars ("HKD"), RMB and United States dollars ("USD"). RMB354.6 million (31 December 2019: RMB204.2 million) borrowings were interest bearing with interest rates ranging from 3% to 8% per annum (31 December 2019: 4% to 12% per annum). The remaining borrowings were non-interest bearing.

RMB211.0 million (31 December 2019: RMB164.8 million) borrowings were secured by RMB deposits, or digital assets (31 December 2019: RMB deposits, digital assets or equity interest of a subsidiary). As at 31 December 2020, the Group was in a net current assets position (31 December 2019: net current assets position).

Treasury Policy

It is the Group's treasury management policy not to engage in any principal financial investments or use of 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 USD.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group currently operates mainly in Hong Kong, Singapore 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 is minimal. For operations in Singapore, as digital asset trading transactions and other business transactions are denominated in USD mainly, with only some local operating expenses being settled in Singapore dollars ("SGD"), any SGD-related exposure to foreign exchange risk is minimal.

No financial instrument was used for hedging purposes for the Year. 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

During the Year, the Group did not have any material acquisitions and disposals of subsidiaries.

Charge on the Group's Assets

As of 31 December 2020 and 31 December 2019, the Group pledged a 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 2020 and 31 December 2019, the Group did not have any concrete future plans for material investments or capital assets and material capital expenditure commitments.

Contingent Liabilities

As at 31 December 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE FINANCIAL POSITION DATE

Placing of Existing Shares and Top-up Subscription of New Shares under General Mandate

On 5 January 2021, the Company and East Harvest Global Limited (the "Vendor") have entered into the placing and subscription agreement (the "Agreement") with Morgan Stanley & Co International PLC (the "Placing Agent") pursuant to which the Placing Agent has agreed to act as agent for the Vendor to place a total of 45,000,000 placing shares ("Placing Shares") owned by the Vendor at a price of HKD15.50 per placing share (the "Placing") to no less than six independent placees ("Placees"). The Placees were professional, institutional or other investors approved, selected and/or procured by or on behalf of the Placing Agent as contemplated by the Agreement, who and whose respective ultimate beneficial owners were third parties independent of the Company and its connected persons and who would not become substantial shareholders of the Company after completion of the Placing. The Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Vendor 45,000,000 subscription shares ("Subscription Shares") at the subscription price, which was equal to the placing price (the "Subscription"). The closing price of Subscription Shares on the date of entering the agreement (i.e. 5 January 2020), was HKD19.22 per Subscription Share. The aggregate nominal value of the 45,000,000 subscription shares was HKD450,000.

The Company considered that the Placing and the Subscription represented an opportunity to raise capital for the Group while broadening its shareholder base and would also strengthen the financial position of the Group for the expansion of the Group's digital assets and blockchain platform business.

The gross proceeds and the received net proceeds from the Subscriptions were approximately HKD697.5 million and approximately HKD658.0 million, respectively. The Company intended to use the net proceeds as to (i) approximately HKD40 million for developing and enhancing platform technology of digital asset platform business; (ii) approximately HKD225 million for maintaining sufficient liquid capital to satisfy the SFC license requirement of the licensed entity and the expansion of prime brokerage business; (iii) approximately HKD290 million for operating working capital including rental expenses, staff costs, marketing and IT expenses, other general expenses and professional fees; and (iv) approximately HKD100 million for potential future acquisition and general working capital of the Group. The net price per Subscription Share was approximately HKD14.56.

Grant of Share Options and Awarded Shares

On 27 January 2021, the Company offered to grant a total of 3,500,000 Share Options to a Director, 27 employees and 2 consultants of the Group.

On the same day, the Company granted an aggregate of 2,160,860 Awarded Shares to 46 employees and 2 consultants of the Group pursuant to the terms of the Share Award Plan as incentives for their contribution to the Group.

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 has resolved not to recommend a final dividend in respect of the Year to the holders of the ordinary shares of the Company (2019: 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.

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 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2020. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict. The Audit Committee has adopted the terms of reference which are in line with the CG Code.

During the year, the Audit Committee has reviewed with the management team and PricewaterhouseCoopers, the external auditor of the Company, the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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 2020 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 2020, 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 fast developing 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, 29 March 2021

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