OSL Group Limited
OSL集團有限公司

(formerly known as 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 2023

FINANCIAL HIGHLIGHTS

- The Group's IFRS income from its digital assets and blockchain platform business rose 193.6% year-over-year (YoY) to HK$209.8 million
- Administrative and other operating expenses declined by 41.0% YoY to HK$336.6 million
- The loss from continuing operations was substantially narrowed to HK$249.8 million YoY from HK$560.1 million, achieving a loss reduction of 55.4%

The board (the “Board”) of directors (the “Directors”) of OSL Group Limited (formerly known as 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 2023 (the “Year” or “FY2023”), together with the comparative figures for the previous year (“FY2022”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
			(Represented)
			(Note 1.1)
Continuing operations			
Income from digital assets and blockchain platform business	*5*	**209,837**	71,480
Cost of revenue		**(17,594)**	(1,315)
Other income		**198**	2,753
Other (losses)/gains, net		**(35,856)**	29,102
Selling expenses		**(42,089)**	(55,813)
Administrative and other operating expenses		**(336,554)**	(569,989)
Provision for impairment losses on financial assets and contract assets, net		**(5,008)**	(3,747)
Operating loss		**(227,066)**	(527,529)
Finance income		**6,521**	1,448
Finance costs		**(7,598)**	(12,642)
Finance costs, net		**(1,077)**	(11,194)
Share of net post-tax loss of an associate accounted for using the equity method		**(23,704)**	(20,890)
Loss before income tax		**(251,847)**	(559,613)
Income tax credit/(expense)	*6*	**2,058**	(496)
Loss from continuing operations		**(249,789)**	(560,109)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
			(Represented)
			(Note 1.1)
Loss from continuing operations		**(249,789)**	(560,109)
Discontinued operations			
(Loss)/profit from discontinued operations		**(15,857)**	10,141
Loss for the year		**(265,646)**	(549,968)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss:			
Currency translation differences on translation of operations with a functional currency different from the Company's presentation currency		**(1,129)**	(8,132)
Reclassification to profit or loss on dissolution of discontinued operation		**901**	–
		(228)	(8,132)
Total comprehensive loss for the year		**(265,874)**	(558,100)
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(249,591)**	(550,179)
— (Loss)/profit from discontinued operations		**(14,271)**	9,141
		(263,862)	(541,038)
Non-controlling interests			
— Loss from continuing operations		**(198)**	(9,930)
— (Loss)/profit from discontinued operations		**(1,586)**	1,000
		(265,646)	(549,968)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000 (Represented) (Note 1.1)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(247,994)**	(553,046)
— (Loss)/profit from discontinued operations		**(15,852)**	4,376
		(263,846)	(548,670)
Non-controlling interests			
— Loss from continuing operations		**(184)**	(9,904)
— (Loss)/profit from discontinued operations		**(1,844)**	474
		(265,874)	(558,100)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (HK$ per share)	*8*	**(0.58)**	(1.30)
Diluted (HK$ per share)	*8*	**(0.58)**	(1.30)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (HK$ per share)	*8*	**(0.61)**	(1.28)
Diluted (HK$ per share)	*8*	**(0.61)**	(1.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	**As at 31 December 2023** *HK$'000*	As at 31 December 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**10,059**	92,266
Intangible assets		**37,646**	72,794
Prepayments, deposits and other receivables		**–**	17,879
Investment accounted for using equity method		**15,520**	22,550
Financial assets at fair value through profit or loss		**14,334**	50,400
Deferred income tax assets		**–**	7,409
Total non-current assets		**77,559**	263,298
Current assets			
Digital assets	*9*	**823,700**	1,061,343
Contract assets		**308**	16,960
Trade receivables	*10*	**3,114**	21,938
Prepayments, deposits and other receivables		**34,610**	52,794
Cash held on behalf of licensed entity's customers	*11*	**191,006**	88,809
Cash and cash equivalents		**218,657**	1,009,157
		1,271,395	2,251,001
Assets classified as held for sale		**91,832**	–
Total current assets		**1,363,227**	2,251,001
Total assets		**1,440,786**	2,514,299

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

	Notes	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
LIABILITIES			
Non-current liabilities			
Deposits received and other payables		**–**	16,901
Lease liabilities		**–**	64,481
Deferred income tax liabilities		**–**	6,169
Total non-current liabilities		**–**	87,551
Current liabilities			
Trade payables	*12*	**5,061**	22,564
Contract liabilities		**9,813**	28,621
Accruals and other payables		**65,515**	60,904
Liabilities due to customers	*13*	**883,779**	1,574,062
Lease liabilities		**17,348**	42,373
Borrowings		**–**	32,895
Current income tax liabilities		**135**	6,030
		981,651	1,767,449
Liabilities directly associated with assets classified as held for sale		**64,045**	–
Total current liabilities		**1,045,696**	1,767,449
Total liabilities		**1,045,696**	1,855,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

	Notes	**As at 31 December 2023 *HK$'000***	As at 31 December 2022 *HK$'000*
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*14*	**4,385**	4,385
Other reserves		**2,388,653**	2,388,866
Accumulated losses		**(1,981,294)**	(1,721,148)
		411,744	672,103
Non-controlling interests		**(16,654)**	(12,804)
Total equity		**395,090**	659,299

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.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011, and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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.

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 4 January 2024, the English name of the Company has been changed from "BC Technology Group Limited" to "OSL Group Limited", and the dual foreign name of the Company in Chinese has been changed from "BC科技集團有限公司" to "OSL集團有限公司". The relevant registration procedures in the Cayman Islands and Hong Kong have been completed on 5 January 2024 and 24 January 2024 respectively.

In the opinion of the directors of the Company, the ultimate holding company of the Company was, as at 31 December 2023, Bell Haven Limited, which was incorporated in British Virgin Islands.

The consolidated financial statements are presented in thousands of Hong Kong Dollars *(HK$'000),* unless otherwise stated. The consolidated financial statements were approved and authorised for issue by the Board on 27 March 2024.

1.1 Discontinued operations of the traditional advertising and business park area management segments

On 25 October 2022, the Group announced that the two indirect wholly-owned subsidiaries of the Group, Shanghai SumZone Marketing Co, Ltd. (上海三眾營銷策劃有限公司) and Shanghai SumZone Advertising Co., Ltd. (上海三眾廣告有限公司), which were engaged in provision of traditional advertising services, public relation services and event marketing services in Mainland China, would cease to operate and would be deregistered subsequently. Prior to the year ended 31 December 2022, the Group ceased the operations of the traditional advertising segment, and the deregistration process of the above subsidiaries were subsequently completed in February 2023.

On 12 November 2023, the Group entered into the equity transfer agreement to sell its equity interest in Shanghai Jingwei Enterprise Development Co., Ltd (上海憬威企業發展有限公司) ("Shanghai Jingwei"), a 90% owned subsidiary in Mainland China which represented the Group's business park area management segment, to an independent third party. The completion of the transaction was conditional upon the passing of the requisite resolutions by the shareholders at the extraordinary general meeting, receipt of transaction consideration and completion of all administrative procedures according to local laws and regulations. Such resolutions were passed subsequently on 17 January 2024. As of the date of this announcement, the completion of disposal of Shanghai Jingwei is subject to the final approval from the local administrative department for industry and commerce.

Consequently, the entire traditional advertising and business park area management businesses are reported as discontinued operations in the Group's consolidated financial statements during the years ended 31 December 2022 and 31 December 2023.

In accordance with International Financial Reporting Standard ("IFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations", the financial results of these segments for the years ended 31 December 2023 and 2022 were presented as a (loss)/profit for discontinued operations in the Group's consolidated statement of profit or loss. Certain comparative amounts of the business park area management segment have been reclassified to conform with current year presentation.

2 BASIS OF PREPARATION

(a) Compliance with IFRS Accounting Standards and Hong Kong Companies Ordinance ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board 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 (the "Listing Rules").

IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for digital assets, digital assets due to counterparties and the interests thereon, liabilities due to customers, financial assets at fair value through profit or loss, which are measured on fair value basis. The non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less cots to sell.

(c) Amendments to standards and accounting guideline adopted by the Group

The Group has applied the following amendments to standards and accounting guideline for the first time for their annual reporting period commencing on 1 January 2023:

IFRS 17 and Amendments to IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

The adoption of amendments to standards and accounting guideline 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.

(d) New amendments to standards not yet adopted

Certain new amendments to standards have been published that are not mandatory for financial year beginning on 1 January 2023 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
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 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM of the Group has been identified as the executive directors of the Company who assess the financial performance and position of the Group and make strategic decisions.

The Group principally engaged in the digital assets and blockchain platform business. For the purpose of internal reporting and management's operation review, the CODM reviews the consolidated results of operations when making decisions about allocating resources and assess performance of the Group as a whole. The CODM considered that the Group's businesses are operated and managed as one single segment and no separate segment information was presented for the year ended 31 December 2023.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

	2023	2022
	HK$'000	*HK$'000*
From continuing operations		
Recognised over time:		
Service fee from SaaS *(Note 5)*	**17,796**	30,070
Income from custodian services *(Note 5)*	**2,934**	5,052
Others *(Note 5)*	**3,436**	2,105
Recognised at a point of time:		
Trading fee from automated trading service *(Note 5)*	**9,416**	13,359
Income from sales of intellectual property to an associate *(Note 5)*	**28,659**	–

5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2023	2022
	HK$'000	*HK$'000*
From continuing operations		
Income from digital assets and blockchain platform business:		
Trading of digital assets *(Note (a))*	**144,755**	24,295
Net fair value gain/(loss) on digital assets *(Note (a))*	**2,841**	(3,401)
Service fee from SaaS	**17,796**	30,070
Trading fee from automated trading service	**9,416**	13,359
Income from custodian services	**2,934**	5,052
Income from sales of intellectual property *(Note (b))*	**28,659**	–
Others	**3,436**	2,105
	209,837	71,480

Note:

(a) The Group's digital assets and blockchain platform business primarily includes an 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 assets trading business represents trading margin arising from trading various digital assets and net gains or losses from remeasurement of digital assets 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.

(b) The Group develops and sells an intellectual property in relation to digital assets exchange platform. During the year ended 31 December 2023, the Group delivered the digital assets exchange platform to an associate (2022: nil).

6 INCOME TAX (CREDIT)/EXPENSE

Taxation has been provided at the appropriate rates prevailing in the jurisdictions in which the Group operates, which mainly include Hong Kong, Singapore and the United Kingdom. The corporate income tax in the United Kingdom ("UK") has been provided at the rate of 25% (2022: 19%) on the estimated assessable profits for the year.

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 2023 (2022: same).

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

	2023 ***HK$'000***	2022 *HK$'000* (Represented) *(Note 1.1)*
Continuing operations		
Current income tax expense:		
UK corporate income tax	**323**	496
Deferred income tax credit	**(2,381)**	–
Income tax (credit)/expense from continuing operations	**(2,058)**	496
Discontinued operations		
Current income tax expense:		
People's Republic of China corporate income tax	**3,458**	4,548
Deferred income tax credit	**(2,330)**	(3,787)
Income tax expense from discontinued operations	**1,128**	761
Total income tax (credit)/expense from continuing and discontinued operations	**(930)**	1,257

7 DIVIDENDS

The Directors did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: nil).

8 LOSS PER SHARE

For continuing and discontinued operations

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:

	2023	2022
	HK$'000	*HK$'000*
		(Represented)
		(Note 1.1)
Loss from continuing operations:		
Loss for the year attributable to the owners of the Company	**263,862**	541,038
Add: (Loss)/profit for the year from discontinued operations	**(14,271)**	9,141
Loss for the year from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**249,591**	550,179

	2023	2022
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**433,282,326**	423,698,020

	HK$	*HK$*
		(Represented)
		(Note 1.1)
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (per share)	**(0.58)**	(1.30)
Diluted (per share)	**(0.58)**	(1.30)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (per share)	**(0.61)**	(1.28)
Diluted (per share)	**(0.61)**	(1.28)

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year (2022: same).

For the year ended 31 December 2023, the Company had two categories of potential ordinary shares: share options and share awards (2022: same). Diluted loss per share presented is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

9 DIGITAL ASSETS

	2023	2022
	HK$'000	*HK$'000*
Digital assets:		
— Held in own wallets of the Group	**822,627**	1,025,730
— Digital assets held on exchange institutions *(Note)*	**1,073**	35,613
	823,700	1,061,343

Among the digital assets balance, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK$639,136,000 (2022: HK$903,032,000) (Note 13). It also included the Group's proprietary digital assets of approximately HK$184,564,000 (2022: HK$158,311,000). The balance is measured at fair value through profit or loss.

As at 31 December 2023, there were certain digital assets with fair value of approximately HK$874,731,000 (2022: HK$251,365,000) received from and held on behalf of clients by OSL Digital Securities Limited ("OSL DS"), a wholly owned subsidiary of the Company and a Hong Kong Securities and Futures Commission ("SFC") licensed corporation. Those digital assets were safekept in segregated client wallets through a trust arrangement with BC Business Management Services (HK) Limited which is a wholly owned subsidiary of the Company and the associated entity of OSL DS under the Securities and Futures Ordinance. Based on the Client Terms and Conditions entered between OSL DS and its clients ("OSL DS Client T&C"), these digital assets held in segregated wallets are not recognised as the Group's digital assets and hence there are no corresponding digital asset liabilities under these arrangements. OSL DS also holds certain digital assets in its own wallets for facilitating the trading flow with its customers.

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. Prior to the year-end as on 31 December 2022, the Group submitted a withdrawal request to a third party exchange amounting to approximately HK$35,175,000 which was received by the Group's own wallets shortly after year end.

10 TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables from digital assets and blockchain platform business	**4,520**	24,570
Less: loss allowance	**(1,406)**	(2,632)
Trade receivables	**3,114**	21,938

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 with a credit period of 1–3 days after trade date. For SaaS customers, credit term of 30 days after invoice date is granted in general.

The Group has policies in place to ensure that they transact with 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 receivables, based on trade date and invoice date, were as follows:

	2023	2022
	HK$'000	*HK$'000*
0 –30 days	**2,373**	15,442
31–90 days	**493**	416
91–180 days	**248**	6,080
	3,114	21,938

11 CASH HELD ON BEHALF OF LICENSED ENTITY'S CUSTOMERS

OSL DS, through its associated entity under a trust arrangement, maintains segregated bank accounts to hold cash on behalf of its customers arising from its normal course of business. Based on the OSL DS Client T&C, it is agreed that OSL DS will not pay interest to the clients for the fiat currency that it receives from or holds for the clients. OSL DS has the contractual right to retain any bank interest income arising from holding the client's fiat currency. Accordingly, the client fiat currency received and held at the segregated bank accounts is presented on the Group's consolidated statement of financial position under current assets, with a corresponding fiat liability due to customers under current liabilities (except for the cash held on behalf of its fellow subsidiaries in the segregated bank accounts which are eliminated on group level). The use of cash held on behalf of clients is restricted and governed by the OSL DS Client T&C and the laws and regulations relevant to OSL DS as a licensed corporation and its associated entity in Hong Kong.

12 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 90–180 days (2022: same).

An ageing analysis of the Group's trade payables at the end of the reporting periods, based on the invoice date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**5,061**	15,255
Over 365 days	**–**	7,309
	5,061	22,564

13 LIABILITIES DUE TO CUSTOMERS

	2023	2022
	HK$'000	*HK$'000*
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	**191,006**	88,809
— Others	**53,637**	582,221
— Digital asset liabilities	**639,136**	903,032
	883,779	1,574,062

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, OSL DS Client T&C 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, except for the digital assets held on behalf of OSL DS's clients with fair value of approximately HK$874,731,000 as at 31 December 2023 (2022: HK$251,365,000), they are kept in segregated wallets and are not recognised as the Group's digital assets and hence no corresponding digital asset liabilities under these arrangements.

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".

14 SHARE CAPITAL

	2023		2022	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each at 1 January 2022 and 31 December 2022 and 2023	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At the beginning of the year	**438,453,184**	**4,385**	423,247,484	4,233
Issuance of new shares *(Note a)*	**–**	**–**	3,679,430	37
Exercise of warrant shares by a warrant holder *(Note b)*	**–**	**–**	11,526,270	115
At the end of the year	**438,453,184**	**4,385**	438,453,184	4,385

Subsequent to the year ended 31 December 2023, a total of 187,600,000 ordinary shares have been allocated and issued to BGX Group Holding Limited (the "BGX" or "Subscriber"), a company incorporated in the Cayman Islands.

Notes:

(a) During the year ended 31 December 2022, the Company issued 3,679,430 new shares on 8 August 2022 at HK$0.01 for each share to the Trustee for the awarded shares granted on 4 April 2022 and 22 July 2022 respectively, pursuant to the share award plan adopted on 21 August 2018 ("2018 Share Award Plan"), to recognise and reward the contribution of the Directors and employees for providing services to the Group, as well as consultants for providing similar services as the employees to the Group. The Board applied HK$37,000 in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.

(b) On 5 September 2022, J Digital 5 LLC exercised the conversion right to fully convert the warrant into 11,526,270 ordinary shares of the Company at a conversion price of HK$0.01 per share. Consequently, HK$115,000 was credited to share capital and HK$153,184,000 was credited to share premium.

15 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 13 November 2023, the Company entered into the subscription agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for a total of 187,600,000 new shares at the subscription price of HK$3.80 per new share in accordance with the terms and conditions as set out in the subscription agreement.

On 4 January 2024, the resolution in relation to the proposed issue of new shares under the Specific Mandate for the abovementioned subscription was passed in the extraordinary general meeting and other completion conditions were met on 12 January 2024. The net proceeds from the subscription, after deducting the related expenses, are approximately HK$710,000,000.

Save as disclosed above and elsewhere in the consolidated financial statements, there are no other events subsequent to 31 December 2023 for which IFRS Accounting Standards require adjustment or disclosure in these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

OSL Group, previously known as BC Technology Group, has demonstrated its resilience and innovation in the digital asset space throughout 2023, marking a year of strategic advancements and operational excellence. As a leading digital asset platform in Hong Kong, OSL has capitalized on the evolving regulatory landscape and emerging market opportunities to solidify its leadership position. Its core focus areas this year have included securing strategic funding, expanding its services to retail clients, solidifying partnerships and relations with banks and financial institutions, and pioneering the Security Token Offerings (STOs).

Strategic Investment from BGX

One of the most exciting news in 2023 is the strategic investment received by OSL from BGX. This investment is not just a testament of OSL's strong market position but also represents a pivotal moment in the Group's development. The strategic investment from BGX, a progressive leader in digital asset services, equips OSL with ample resources to accelerate its growth strategies, strengthen technological capabilities, and expand its market presence in Asia Pacific markets.

This investment signifies a profound vote of confidence in OSL's vision and strategic direction beyond a financial transaction. It aligns OSL with a partner that not only shares its aspirations for regulated digital asset innovation but also brings to the table expertise and a network that could unlock new business synergies.

The successful completion of the deal was a landmark event for OSL Group, propelling the Group towards global expansion with renewed enthusiasm. This capital contribution underpins OSL's strategic goals, including technological progress and market extension, reinforcing its ambition to lead the regulated digital asset landscape.

Enabling Retail Investors to Trade Bitcoin and Ethereum

In an unprecedented move that marks a significant shift in the regulatory landscape for digital assets, the SFC of Hong Kong has, in June 2023, officially approved retail trading of Bitcoin (BTC) and Ethereum (ETH). This groundbreaking decision underscores Hong Kong's commitment to fostering innovation within its financial services sector, while also ensuring a robust regulatory framework that protects investors.

In August 2023, OSL announced that it has received an uplift to its existing license from the SFC. OSL offers retail investors the ability to register on its platform and buy/sell digital asset products, starting with the popular cryptocurrencies Bitcoin and Ethereum. This momentous development is a testament to OSL's unwavering commitment to compliance, regulation, and excellence in the digital asset space.

OSL's expansion into retail services was timely, coinciding with a global surge in interest towards digital assets among individual investors. By launching its retail trading services, OSL not only capitalized on this trend but also broadened its customer base, tapping into the increasing demand for accessible and secure digital asset trading platforms.

With this development, OSL is now well-positioned to lead the transformation of the digital asset market. As it welcomes retail investors, it remains steadfast in its commitment to excellence, compliance, and regulation, setting the stage for a more robust and secure digital asset environment.

B2B2C Business Expansion: Strong Relationships with Financial Institutions

In 2023, OSL has continuously strengthened its position as a leader in its B2B2C business. OSL's steadfast commitment to innovation and strategic partnerships has been instrumental in its continued growth and success. Throughout the year, OSL has not only deepened its collaboration with existing partners but has also expanded its network by forging new alliances.

Furthermore, OSL continued to strengthen its relationship with its existing clients as it expanded services with Interactive Brokers, Victory Securities and Solomon Securities. In a significant development for the local Hong Kong market, Interactive Brokers and Victory Securities' retail investors in Hong Kong now have access to digital asset trading through a single unified platform powered by OSL.

These partnerships stand as a hallmark of OSL's ability to deliver comprehensive, secure, and compliant trading solutions that cater to the needs of both institutional and retail investors. This collaboration not only enhances OSL's product offering but also solidifies its position as a leader in the digital asset space, capable of bridging the gap between traditional financial markets and the burgeoning world of cryptocurrencies.

Pioneering the STO Space

In 2023, OSL made tremendous progress in the STO space through strategic partnerships and pioneering transactions. First, OSL executed Hong Kong's inaugural investment-grade tokenized warrant transaction in collaboration with UBS, showcasing the potential for traditional financial instruments within the digital asset framework. Secondly, OSL and Harvest Global announced a strategic partnership to accelerate the accessibility of security tokens in Hong Kong. This collaboration aims to explore tokenization opportunities, leveraging OSL's licensed digital asset platform and Harvest Global's asset management expertise to introduce innovative products for retail investors. These initiatives mark OSL's commitment to advancing tokenization and digital asset solutions in the financial ecosystem.

REVIEW OF RESULTS

Overall Performance

The Group's IFRS income for the year surged to HK$209.8 million, representing a substantial YoY growth of 193.6% from HK$71.5 million in FY2022. The surge in income was primarily driven by a net gain of digital assets used in facilitating the OSL prime brokerage business, which contributed HK$72.1 million (FY2022: net loss of digital assets used in facilitation of the OSL prime brokerage business of HK$108.3 million) and net fair value gain on digital assets of HK$2.8 million (FY2022: net fair value loss on digital assets of HK$3.4 million), which are treated as part of trading gain/loss from the Group's principal activities. The overall Group's adjusted non-IFRS income as identified in "Non-IFRS Measures" below was HK$134.9 million for the Year, showing a decline of HK$48.3 million from HK$183.2 million in FY2022.

Loss per share of the Group from continuing operations for the Year was HK$0.58 (FY2022: HK$1.30).

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group has provided adjusted non-IFRS income as additional financial measures, which are not required by, or presented in accordance with IFRS.

Income from digital assets and blockchain platform business principally represents (i) margin from trading digital assets; (ii) net gain/loss of digital assets used in facilitation of prime brokerage business; (iii) net fair value gain/loss on digital assets; (iv) service fee from SaaS; (v) income from custodian services; (vi) income from sales of intellectual property to an associate; and (vii) trading fee from automated trading service.

The volatility and uncertainty generally characterizes the digital assets market, the Group recognises net gain of digital assets used in facilitation of prime brokerage business of HK$72.1 million for the Year (FY2022: net loss of HK$108.3 million) and net fair value gain on digital assets of HK$2.8 million for the Year (FY2022: net fair value loss of HK$3.4 million). As the price volatility of digital assets may cause significant impact to the Group's operating performance, the Group considers it appropriate to supplement the consolidated financial statements by presenting income from digital assets and blockchain platform business into (i) margin from trading digital assets and others; (ii) net gain/loss of digital assets used in facilitation of prime brokerage business; and (iii) net fair value gain/loss on digital assets. The Group considers that margin from trading digital assets and other, i.e., adjusted non-IFRS income, can better reflect volumes of the Group's digital assets trading business.

The Group defines margin from trading digital assets and others, i.e. adjusted non-IFRS income from digital assets and blockchain platform business (unaudited), as the realised net gain/loss with reference to the transaction price of the daily trade transactions executed to facilitate the prime brokerage business before considering the fair value movements of the digital assets held. Net gain/loss of digital assets used in facilitation of prime brokerage business is a realized gain/loss from the fair value movement of the digital assets held. Net fair value gain/loss on digital assets is an unrealized gain/loss in nature and it is determined as the fair value movement of the Group's proprietary digital assets on hand which was remeasured at year-end market price as at 31 December 2023.

The Group believes that the addition of the non-IFRS measures facilitates comparisons of operating performance from period to period by providing more relevant financial information that management considers to be more illustrative of the Group's operating performance to the public, and that the non-IFRS measures provides useful information to its shareholders, investors and others in understanding and evaluating the consolidated results of operations in the same manner as it helps management. However, presentation of the non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measures has limitations as analytical tools, and shareholders, investors and others should not consider it in isolation from, or as a substitute for analysis of, results of operations or financial condition as reported under IFRS.

The table below sets forth a reconciliation of the Group's IFRS income to the Group's adjusted non-IFRS income for the Year and FY2022:

	Audited For the years ended 31 December 2023 *HK$'000*	2022 *HK$'000* (Represented)
Group's IFRS income from digital assets and blockchain platform business	**209,837**	71,480

	For the years ended 31 December 2023 *HK$'000*	2022 *HK$'000* (Represented)
Income from digital assets and blockchain platform business in accordance with IFRS (per above)	**209,837**	71,480
Add back:		
Net fair value (gain)/loss on digital assets	**(2,841)**	3,401
Net (gain)/loss of digital assets used in facilitation of prime brokerage business (unaudited)	**(72,056)**	108,309
Group's adjusted non-IFRS income from digital assets and blockchain platform business (unaudited)	**134,940**	183,190

The OSL Digital Assets Platform

The OSL digital assets platform comprises two main business sectors: a digital assets markets business (prime brokerage, exchange and custody), and a digital assets technology infrastructure business (SaaS).

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

The OSL digital assets platform's IFRS income was HK$209.8 million for the Year, representing an increase of HK$138.3 million from HK$71.5 million in FY2022.

OSL prime brokerage adjusted non-IFRS income, which is the combined income from OTC and intelligent Request for Quote ("iRFQ") trading, declined by 45.2% YoY to HK$72.7 million compared to HK$132.6 million in FY2022. OSL exchange income decreased by 13.3% YoY to HK$12.9 million for the Year and income from custodian services was down 41.9% YoY to HK$2.9 million for the Year.

The OSL digital assets platform's total trading volume was HK$172.7 billion for the Year, representing a decrease of 62.1% from HK$455.9 billion in FY2022. Brokerage trading volume, which is the combined trading volumes from OTC and iRFQ, was down 62.9% YoY to HK$139.2 billion from HK$375.5 billion. Exchange trading volume decreased 59.3% YoY to HK$26.8 billion from HK$65.8 billion.

The OSL digital assets technology infrastructure business provides technology to banks, asset managers, financial institutions and retail clients that enables them to provide digital assets trading services to clients. This business generates income through: implementation fees, customized income share models, recurring service fees and professional services fees. Current clients included major multinational banks, asset managers, financial institutions and other businesses that provide digital assets trading platforms to their clients.

Disposal of China's Business Park Management Operation

During the Year, OSL Group has agreed to dispose 90% equity interest in Shanghai Jingwei, which was engaged in provision for business park area management services in Mainland China.

OSL Group's digital assets and blockchain platform has been the main income contributor for the Group since 2019. In 2022, the Group gradually scaled down the operations of its other business to devote more resources to its digital assets and blockchain platform business as a strategic growth priority and core business. The decision to dispose its Business Park Management Operation reflects OSL's commitment to capitalizing on the digital asset sector, anticipating favorable market momentum and sentiment in 2024. This move is aimed at enhancing OSL's position in the rapidly evolving digital asset landscape, signaling a shift towards sectors with expected higher growth and profitability.

Selling Expenses

Group's selling expenses was HK$42.1 million for the Year, representing a decrease of 24.6% from HK$55.8 million in FY2022. The decline was mainly due to the decrease in sales related staff cost because of lower headcounts during the Year.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses for the Year was HK$336.6 million, showing a significant decline of HK$233.4 million as compared to HK$570.0 million in FY2022. The decline was mainly due to the moderation in staff cost by HK$82.2 million and the decrease in expenditures by HK$128.4 million related to establishing the corporate and technical infrastructure for the regulated digital assets business, including technology, legal and compliance, marketing and insurance, as the Group gradually reduced the technology related spendings after the successful completion of a number of technology updates. Share-based payment expenses decreased further by HK$22.8 million as a result of the less grants of share options and awarded shares and adoption of higher forfeiture rates for the Year.

Net Loss

The net loss of the Group from continuing operations for the year was HK$249.8 million, which represents a significant reduction of 55.4% compared with HK$560.1 million for FY2022. This decrease underscores the Group's successful efforts in the moderation in staff cost and technology spending and gain of digital assets held by the Group used in facilitation of prime brokerage business.

Human Resources Cost

As at 31 December 2023, the Group had a total of 124 employees in Hong Kong, Singapore, Australia and UK (FY2022: 209 employees). The total staff cost during the Year was HK$188.9 million (FY2022: HK$313.4 million).

The Group is dedicated to the training and development of its employees. The Group leverages its research, development and technical capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the job training to continually improve its employees' technical, professional and management skills.

During the Year, out of employee benefit expenses (including research and development costs), HK$3.6 million (FY2022: HK$7.5 million) was mainly capitalised as contract assets associated with the assignment of an intellectual property to Zodia Markets Holdings Limited ("Zodia Markets"), a limited liability company incorporated in UK. The research and development cost was driven by the Group's expansion of its technical capabilities and resources in the digital assets and blockchain industry. The entire contract assets associated with an intellectual property was recognised as cost of revenue upon the completion of the assignment during the Year.

The emoluments of the Directors and senior management are decided by the remuneration committee and the Board, as authorised by the shareholders at the annual general meeting, having regarded the Group's operating results, individual performance and comparable market statistics. The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group.

The Company operates a share option scheme for the purpose of providing incentives to, retaining, recognising and motivating the eligible Directors, employees and other eligible participants who make contributions to the Group. The Company adopted the share option scheme ("2012 Share Option Scheme") on 10 April 2012. On 28 May 2021, the Company terminated the 2012 Share Option Scheme and adopted the new share option scheme ("2021 Share Option Scheme'). Upon termination of the 2012 Share Option Scheme, no further share options may be granted thereunder. In respect of all share options which remained exercisable on such date, the provisions of the 2012 Share Option Scheme remained in full force and effect.

In regards to the 2012 Share Option Scheme, no share options were granted during the Year (FY2022: same), while 13,826,537 share options had lapsed (FY2022: 4,776,075 share options) and no share options had been exercised (FY2022: same), hence 18,885,500 share options remained outstanding (FY2022: 32,712,037 share options). In regards to the 2021 Share Option Scheme, no share options were granted during the Year (FY2022: 17,730,000 share options), while 9,545,000 share options had lapsed (FY2022: 2,800,000 share options) and no share options had been exercised (FY2022: same), hence 6,885,000 share options remained outstanding (FY2022: 16,430,000 share options).

The Company also adopted the 2018 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. No new shares were granted during the Year (FY2022: 3,679,430 awarded shares), while 2,835,000 awarded shares were regranted (FY2022: 220,000 awarded shares), and 1,804,030 awarded shares had lapsed (FY2022: 1,558,693 awarded shares), and 1,263,793 awarded shares were vested (FY2022: 1,859,621 awarded shares), hence 3,735,996 awarded shares remained unvested as at 31 December 2023 (FY2022: 3,968,819 awarded shares).

PROSPECTS

With the recent SEC approval of spot Bitcoin ETFs in the United States, a wave of institutional capital is expected to enter the digital asset market, further cementing digital assets' role in mainstream finance. Opportunities arising from these developments are actively being capitalised upon by OSL to foster the widespread adoption of digital assets. OSL's blueprint for 2024 revolves around four strategic pillars: Geographic Expansion, Service Innovation, Digital Finance Synergy, and Unwavering Compliance.

Geographic Expansion

In an increasingly interconnected digital landscape, beyond Hong Kong and Singapore, OSL recognises the significance of establishing a global footprint to serve a diverse and international clientele. As part of this expansion, OSL remains resolute in upholding its rigorous compliance standards.

Service Innovation

OSL places product innovation at the core of its mission and commits to addressing the market's need for accessible and user-friendly digital asset products. Leveraging its collaborations with its institutional partners and product issuers and the policy support for security token products from the Securities and Futures Commission, OSL will continue to pioneer the development of tokenised financial products in Hong Kong.

Digital Finance Synergy

OSL is embarking on a transformative journey towards greater inclusion and innovation. OSL closely monitors the evolving regulatory landscape, encompassing real-world asset tokenisation (RWA), and more. As governments and regulators refine their positions, OSL anticipates a forthcoming wave of compliant digital assets products. These developments are expected to boost investor confidence and foster innovation within a regulated framework.

Unwavering Compliance

Operating in multiple jurisdictions demands a keen understanding of local regulatory landscapes and an unwavering commitment to the highest compliance standards. OSL's dedication to regulatory excellence remains resolute as it navigates the intricate web of international compliance, ensuring clients globally can access digital asset solutions meeting the most stringent regulatory requirements.

This strategic direction not only aligns with, but also re-energises, OSL's vision to command the regulated institutional digital asset market and its mission to offer unrivalled access to digital assets, thereby establishing a global benchmark for innovation, operational excellence, security, and adherence to compliance.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2023, the Group recorded total assets of HK$1,440.8 million (31 December 2022: HK$2,514.3 million), total liabilities of HK$1,045.7 million (31 December 2022: HK$1,855.0 million) and total shareholder equity of HK$395.1 million (31 December 2022: HK$659.3 million). As at 31 December 2023, the gross gearing ratio (defined as total liabilities over total assets) was approximately 72.6% (31 December 2022: 73.8%).

The Group's cash position, after deduction of cash liabilities due to clients, as at 31 December 2023 was HK$165.0 million (31 December 2022: HK$426.9 million). Balance of the Group's proprietary digital assets increased to HK$184.6 million as of 31 December 2023 from HK$158.3 million as of 31 December 2022 given a remarkable recovery in the market value of crypto currencies during the Year.

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

There was no borrowing as of 31 December 2023 (31 December 2022: total borrowings amounted to HK$32.9 million and denominated in HKD and asset-backed stablecoins with interest bearing at interest rates ranging from 4% to 12% per annum).

No borrowing was secured by digital assets as at 31 December 2023 (31 December 2022: Nil). As at 31 December 2023, the Group was in a net current assets position (31 December 2022: net current assets position).

Treasury Policy

It is the Group's treasury management policy not to engage in any financial investments or use of speculative derivative instruments with high risk. 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 Renminbi ("RMB"), HKD and United States dollar ("USD").

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong, Singapore, UK and Mainland China during the Year. 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 minimal. For operations in Mainland China, most of the transactions are settled in RMB, and the impact of foreign exchange exposure to the Group is negligible. The digital assets trading transactions are mainly denominated in USD with only some local operating expenses being settled in the currencies with respective countries, any related exposures as such to foreign exchange risk are minimal.

No financial instrument was used for hedging purposes for the Year. However, the Group is closely monitoring it currency exchange risk of RMB.

Material Acquisitions and Disposals of Subsidiaries

Except for the disposal of the Group's 90% equity interest in Shanghai Jingwei, which was engaged in provision for business park area management services in Mainland China, the Group did not have any material acquisitions or disposals of subsidiaries (2022: Nil).

Charge on the Group's Assets

As of 31 December 2023, the Group did not have any significant pledge (31 December 2022: Nil).

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

During the Year, the Group completed the assignment of an intellectual property to Zodia Markets. Income from sales of the intellectual property of HK$28.7 million and the associated costs for developing the intellectual property of HK$16.6 million were recognised during the Year respectively (2022: Nil). As at 31 December 2023, the Group did not have any significant contracted commitment.

Contingent Liabilities

As at 31 December 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

RISK DISCLOSURES

The Group principally engaged in the digital assets and blockchain platform business, which carries distinct risks related to its business model and correlated with the macroeconomic environment.

(a) Business Development and the Associated Risks in 2023

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 continues to evolve, the Group has been implementing an operational infrastructure to support business development and growth. The infrastructure includes identifying physical locations, expanding IT infrastructure and maintaining control and support functions with an emphasis on laws and regulations, compliance, risk, financial reporting and operations.

(b) Risk Management of the Digital Assets and Blockchain Platform Business

(i) Regulatory Risk in Relevant Jurisdictions

The Group's digital assets trading businesses currently operate in Hong Kong and Singapore.

In Hong Kong, OSL DS, a wholly owned subsidiary of the Group, continues to operate a regulated brokerage and automated trading services under licenses for Types 1 and 7 Regulated Activities granted by the SFC in 2020.

In Singapore, the Payment Services Act went into effect on 28 January 2020. OSL SG Pte. Ltd., a Singapore-based wholly owned subsidiary of the Group, previously submitted a notification to the Monetary Authority of Singapore ("MAS") that it is providing digital payment token services in Singapore and submitted an application for a license. In 2023, MAS executed a consultation process and published new requirements for regulating Digital Payment Token service providers. Given substantial changes in the regulatory landscape in Singapore in 2023, the original submission of license application no longer reflects the current market and regulatory landscape. The original license application has therefore been voluntarily withdrawn while the Group considers a new application with the MAS based on the latest regulatory framework.

The Group's digital assets trading businesses are and will continue to be subject to the stringent regulatory compliance requirements in each relevant jurisdiction in which the Group may operate. This includes, but not limited to, Anti-Money Laundering ("AML") requirements for systems and controls, requirements for minimum capital and liquid assets, business continuity, client asset protection, periodic regulatory reporting as well as financial and compliance audits.

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 recognitions.

To manage the enhanced risks and compliance frameworks associated with licensing, the Group continues to be supported by a strong team of experienced legal, risk, technology 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 associated expenses on operational resources, system requirements, staffing requirements and capital costs associated with operating a licensed or regulated digital assets businesses, the operating costs of the Group may increase. However, the Group believes that regulated and compliant businesses represent the current and future direction of the digital assets industry as it develops and matures to meet the needs of traditional financial institutions and increasing regulatory oversight.

(ii) Price Risk of Digital Assets

The Group holds digital assets in order to facilitate and support the settlement process of the digital assets trading business. Price volatility of digital assets may cause significant impact to the Group's performance. To manage the price risk, the level of digital assets holdings by the Group is determined based on volatility, position holding, market capitalization and liquidity, as reviewed by the senior management periodically. Additionally, the Group has implemented policies for the review and assessment of each type of digital assets that may be admitted for trading via its trading services; such reviews and assessments take into account various characteristics, such as the assets underlying technology infrastructure, transparency of provenance, ability to monitor for AML and Counter-Financing of Terrorism risks, liquidity and price volatility.

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 mostly 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, digital assets held in customers' accounts corresponds to a liability due to the customers with both the digital assets 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 assets in both "hot" (connected to the Internet) and "cold" (not connected to the Internet) wallets. "Hot" wallets are more susceptible to cyber-attacks or potential theft due to the fact they are connected to the public internet.

To mitigate such risks, the Group has implemented guidelines and risk control protocols to adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital assets wallet solution 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 2023, the Group continued to maintain insurance cover 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 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, review and reporting. In designing these policies and procedures, the Group has considered industry best-practice, respective regulatory requirements and Financial Action Task Force (FATF) recommendations and guidance as the industry moves towards regulation.

(v) Technology Leakage Risk

The Group's key competitive edge is aided by its proprietary blockchain technology and the safeguarding of Intellectual Property. A breach in these assets poses risks to the Group's market position and strategic goals. To mitigate this risk, the Group enforces controls on the dissemination of its intellectual property, restricting access to all levels of the organisation. The Group conduct regular penetration testing and phishing awareness training, alongside implementing measures for network security and physical safeguarding of data. These practices are documented in our policies and are subject to periodic audits to ensure compliance with industry standards.

(vi) Information Security Risks

Both the Group and client information are maintained on proprietary data infrastructure in conjunction with 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 employs robust security measures, including advance encryption protocols, regular vulnerability assessments and strict access controls to safeguard sensitive data. The Group also conducts periodic employee training programs to promote awareness and adherence to security best practices.

(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 risk, credit risk, liquidity risk and ESG risk. Approval to proceed with a proposed business or product will only be forthcoming once the Group's New Product 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 with trading clients and counterparties (including third party digital assets 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 the Group's credit risk exposure in connection with its digital assets trading businesses. To mitigate or reduce such credit risks, controls such as 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 Group's Risk Committee.

(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 reviews Business Continuity Plan ("BCP") requirements for each business and support function in order to maintain a comprehensive physical disaster recovery capability.

If a significant incident or crisis impacts the Group's staff safety or its ability to operate, the Crisis Management Team will take control of all activities, including formal implementation of the Group's BCP, incident remediation actions as well as internal and external communication.

(x) Operational Risk

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

The Group's Operational Risk Committee is the central oversight and management function for all operational risk actions and related control activities. The Group's Risk Department specifically employs operational risk personnel 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 assets 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.

(xii) Investment Risk

For any potential debt or equity investments, a review is performed by the appropriate business sponsor, together with the legal team, to identify and analyse the risks associated with the investment and thorough review of the agreement. The investment proposals will then be presented to the Senior Management, Executive Committee or the Board depending on the transaction amount and the nature of the transaction for approval. Ongoing monitoring of the investment performance is performed by business heads and different functional departments, with escalation to the Senior Management, Executive Committee or the Board as needed on a case-by-case basis.

(xiii)Liquidity Risk

Liquidity risk is broadly classified into two categories, one is funding liquidity risk and the other, market liquidity risk. Funding Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. Market liquidity risk is associated with the Group's inability to execute transactions at prevailing market prices due to insufficient market depth or disruptions.

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement. The Group meets its day to day working capital requirements, capital expenditure and financial obligations through cash inflow from operating activities and the facilities obtained from banks and other lenders. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under available credit lines. The Group manages market liquidity risk by maintaining a sufficient set of liquidity providers used for hedging purposes.

EVENTS AFTER THE REPORTING PERIOD

1. Completion of the issue of New Shares under the Specific Mandate

All the Conditions under the Subscription Agreement have been fulfilled and Completion took place on 12 January 2024 in accordance with the terms and conditions of the Subscription Agreement. A total of 187,600,000 new shares have been allotted and issued to the Subscriber, BGX, pursuant to the terms of the Subscription Agreement, at the subscription price of HK$3.80 per subscription share.

Details of which were set out in the Company's announcements dated 14 November 2023, 4 January 2024 and 12 January 2024, and circular dated 18 December 2023.

2. Change of Company Name

The English name of the Company has been changed from "BC Technology Group Limited" to "OSL Group Limited" and the dual foreign name in Chinese of the Company has been changed from "BC科技集團有限公司" to "OSL集團有限公司" with effect from 5 January 2024. The Certificate of Registration of Alteration of Name of Registered non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 24 January 2024 confirming the registration of the new English name "OSL Group Limited" also known as "OSL集團有限公司" in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

3. Disposal of 90% Equity Interest in Shanghai Jingwei

On 12 November 2023, the Group entered into the equity transfer agreement with the purchaser, an independent third-party, pursuant to which the Group conditionally agreed to sell, and the purchaser conditionally agreed to acquire, 90% equity interest in Shanghai Jingwei at the consideration of RMB23.0 million (equivalent to approximately HK$24.6 million) subject to the terms of the equity transfer agreement.

On 17 January 2024, the resolution was duly passed in the extraordinary general meeting. As of the date of this announcement, the completion of disposal of Shanghai Jingwei is subject to the final approval from the local administrative department for industry and commerce.

Details of which were set out in the Company's announcements dated 13 November 2023, 3 January 2024 and 17 January 2024, and circular dated 28 December 2023.

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 (2022: Nil).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2023 as set out in this 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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.

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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as a code of conduct regarding securities transactions by the Directors of the Company. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Model Code for the year ended 31 December 2023.

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 of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules.

During the year ended 31 December 2023, the Company has complied with the CG Code and Listing Rules requirements. The appointment of Mr. Pan Zhiyong on 12 January 2024 as a Director of the Company, who has acted as both the chairman of the Board and the chief executive officer, does not comply with code provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual.

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 currently comprises three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise), namely, Mr. Chau Shing Yim, David (Chairman), Dr. Yang Yu and Mr. Xu Biao. Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict resigned as a member of the Audit Committee with effect from 12 January 2024. 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 2023.

By order of the Board
OSL Group Limited
Pan Zhiyong
Chairman and Executive Director

Hong Kong, 27 March 2024

As at the date of this announcement, the executive Directors are Mr. Pan Zhiyong, Mr. Ko Chun Shun, Johnson, Ms. Xu Kang, Mr. Yang Chao and Mr. Tiu Ka Chun, Gary and the independent non-executive Directors are Mr. Chau Shing Yim, David, Dr. Yang Yu and Mr. Xu Biao.