BC TECHNOLOGY GROUP LIMITED
BC科技集團有限公司
Stock code: 863 HK

Incorporated in the Cayman Islands with limited liability

ANNUAL REPORT

2020

Asia's Leading Digital Asset and Fintech Company

Parent of

OSL | ASIA'S LEADING DIGITAL ASSET PLATFORM

SaaS · Brokerage · Custody · Exchange

CONTENTS

CORPORATE INFORMATION

BC科技集團有限公司
BC TECHNOLOGY GROUP LIMITED
STOCK CODE: 863

BOARD OF DIRECTORS
Executive Directors
Mr. Madden Hugh Douglas *(Chief Executive Officer)*
Mr. Lo Ken Bon *(Deputy Chairman)*
Mr. Ko Chun Shun, Johnson
Mr. Chapman David James
Mr. Tiu Ka Chun, Gary

Independent Non-Executive Directors
Mr. Chau Shing Yim, David
Mr. Chia Kee Loong, Lawrence
Mr. Tai Benedict

BOARD COMMITTEES
Audit Committee
Mr. Chau Shing Yim, David *(Chairman)*
Mr. Chia Kee Loong, Lawrence
Mr. Tai Benedict

Remuneration Committee
Mr. Chau Shing Yim, David *(Chairman)*
Mr. Lo Ken Bon
Mr. Chia Kee Loong, Lawrence

Nomination Committee
Mr. Lo Ken Bon *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Chia Kee Loong, Lawrence

Risk Management Committee
Mr. Lo Ken Bon *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Tai Benedict
Mr. Sikora Marek *(Chief Risk Officer)*

AUTHORISED REPRESENTATIVES
Mr. Lo Ken Bon
Ms. Chau Wing Kei

COMPANY SECRETARY
Ms. Chau Wing Kei

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong)
China Merchants Bank
Bank of Communications Co., Limited
Chiyu Banking Corporation Limited
Signature Bank
Silvergate Bank

INDEPENDENT AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISERS
Baker & McKenzie

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
39/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA
Unit 1704,
Shanghai Times Square,
No. 99 Middle Huaihai Road,
Huangpu District,
Shanghai, China

SHARE REGISTRAR AND TRANSFER OFFICE
Principal Registrars
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS
Investor Relations Department
Telephone: (852) 3504 3200
Website: bc.group
Email: ir@bc.group

OSL is the trusted gateway to digital assets

Mission

Deliver best-in-class access to digital assets, setting the global standard for innovation, performance, security, and compliance

Vision

Lead the regulated, institutional evolution of the digital asset market

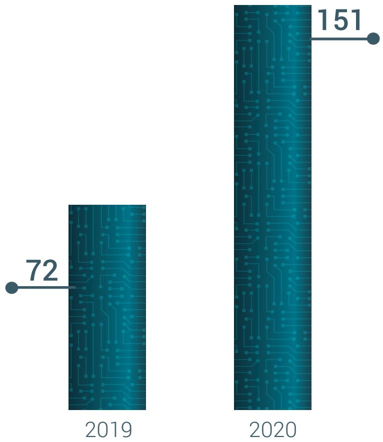
Values

Be trustworthy and do the right thing
Ownership and accountability
Teamwork
Collaboration and respect
Relentlessly innovate for our clients

2020 FINANCIAL HIGHLIGHTS

DIGITAL ASSET BUSINESS REVENUE

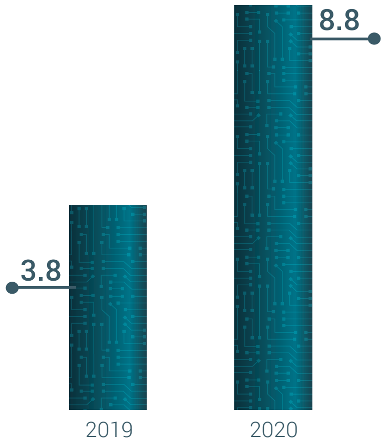
+111% YoY to RMB151 mln



*RMB millions

SAAS REVENUE

+132% YoY to RMB8.8 mln



*RMB millions

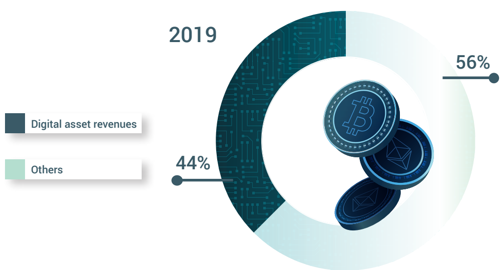
Overall Group revenue
+32% YoY
to RMB217 mln

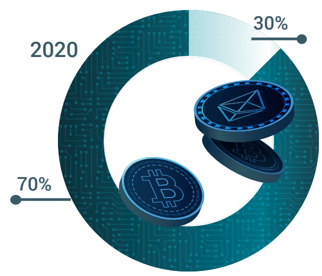
Active customers
+130% YoY

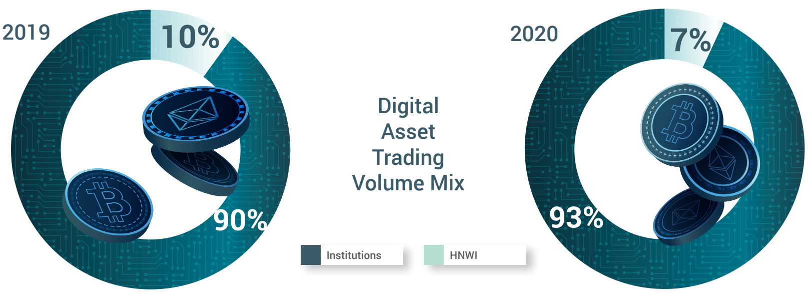
Pro-forma selling and admin expenses*
↓ **8%** YoY
to RMB226 mln

*Excludes share-based payment expenses and warrant expenses

OSL revenues comprise **70%** of all Group income and revenues in 2020, an increase from **44%** in 2019



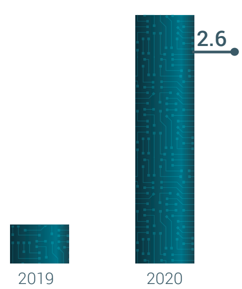




Institutions drove over
93% of trading volume
in 2020

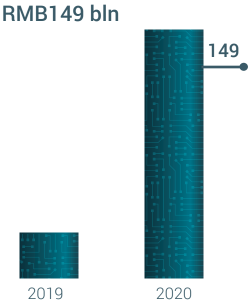
Significant YoY growth from **SaaS** and **OSL digital asset services**

Assets on platform
+487% YoY
to RMB2.6 bln



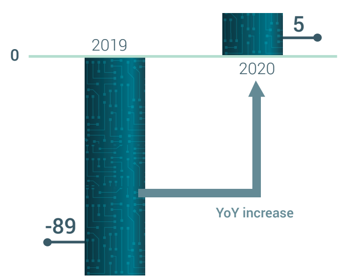
*RMB billions

Digital asset platform trading volume
+228% YoY
to RMB149 bln



*RMB billions

Adjusted EBITDA positive
RMB5 mln
increased from **RMB-89 mln**



*RMB millions

2020 BUSINESS MILESTONES

Expanded **Singapore** operations

OSL Exchange public launch

Onboarded **DBS Bank** as a technology client

MAS PSA license submission

Acquired core intellectual property of **Enuma** and appointed **Antoine Cote as CTO**

European R&D started

First to receive SFC license for **types 1 & 7 regulated activities specific to digital assets**

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders and Partners,

Despite global headwinds as a result of COVID-19 and other geopolitical factors, 2020 was a banner year for BC Technology Group. Its OSL digital asset platform business experienced 111% year-over-year revenue growth, buttressing the performance of the Company and its subsidiaries (the "Group"), which saw overall revenues increase 32%, and posted positive adjusted EBITDA* for the year.

In 2020, OSL digital asset platform revenues comprised 70% of all Group income and revenues, with its traditional Mainland China advertising and business park area management service business making up the remaining 30% of income and revenues. In 2019, the traditional business made up 56% of all Group income and revenues and the OSL platform business comprised 44%.

The Group's advertising business saw continued challenges in 2020, impacted by uncertainties related to COVID-19 in Mainland China, while its business park management business remained stable. Going forward, management will continuously evaluate the Group's strategy and align business lines to maximize shareholder value.

"The Group's 2020 growth is the culmination of a three-year strategic focus and commitment to capturing opportunities in the rapidly developing regulated institutional digital asset segment."

In December 2020, the Group's OSL Digital Securities unit became the first firm to receive a license from the Hong Kong Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 7 (automated trading service (ATS)) regulated activities. It is now the world's first SFC-licensed, listed, digital asset wallet-insured, Big-4 audited digital asset trading platform for institutions and professional investors. OSL Digital Securities offers customers safe, secure and compliant trading access to Bitcoin, Ethereum and other high-quality digital assets, along with select security token offerings ("STOs").

In addition, the Group demonstrated the ability to win business from top-tier financial services institutions such as DBS, which became a technology services client in the second half of 2020. This type of engagement allows the Group to dramatically increase its addressable market through its scalable software-as-a-service ("SaaS") offering.

The Group's 2020 growth is the culmination of a three-year strategic focus and commitment to capturing opportunities in the rapidly developing regulated institutional digital asset segment. In 2020, digital assets reached an inflection point as greater global regulatory clarity emerged and mainstream financial institutions entered the market at a rapid pace. This was a reflection of the influence of the "born digital" online-savvy middle class client demographic, which grew substantially during the pandemic, and traditional asset managers can no longer ignore.

OSL has firmly cemented its position as one of the world's preeminent providers of institutional-grade digital asset investment solutions and services to professional investors. In 2020, the Group saw institutions driving over 93% of platform trading volume and this percentage is expected to increase in the coming months and years.

In the first half of 2020, the Group also launched two important products, 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.

Hugh Douglas Madden
Chief Executive Officer

* Adjusted EBITDA is a measure computed before net finance costs, income tax expense, depreciation and amortisation, staff benefits comprised mainly share-based payment expenses, fair value change in financial liabilities, warrant expenses and provision/(reversal of provision) for impairment losses on financial assets and contract assets. Adjusted EBITDA is used by management as a measure of the Group's operating performance against those of our peers. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this statement may not be comparable to other similarly titled measures of other companies operating in the same or different business industry sectors.

The Group is uniquely positioned globally because it has demonstrated its ability to offer its core digital asset products and systems alongside trading and custody services, while also servicing both the liquidity and technology needs of large global financial institutions.

Throughout the year, the Group continued its technology development and build-out of automated, elastic infrastructure, and accordingly acquired intellectual property assets of Hong Kong-based blockchain engineering firm Enuma Technologies, further bolstering its engineering strength. Enuma CEO Antoine Cote was subsequently named Group CTO.

Beginning last year, I sponsored the Group's Environmental, Social and Governance ("ESG") initiatives, including setting the goal of Group carbon neutrality. To that end, the Group in 2020 established an ESG working group ("ESG Working Group"), which is composed of Group management and staff. The ESG Working Group is tasked with driving our ESG capability and impact as well as leading our ESG-focused stakeholder engagement, materiality assessment and strategic initiatives.

"Digital assets gained significant momentum and adoption by traditional finance in 2020... As a Hong Kong-licensed regulatory first mover with a successful growing SaaS business, the Group is in prime position to win market share."

Furthermore, the Group actively explored strategic partnerships with blockchain-based carbon markets firms during the year, and completed two ESG related investments in the post announcement period (detailed in the section below). My view is that there will be a natural evolution of blockchain as the technology of choice in a resurging carbon market.

Digital assets gained significant momentum and adoption by traditional finance in 2020, and the Group's strategic investment in institutional and regulatory compliance capabilities was well-timed with market developments.

As a Hong-Kong-licensed regulatory first mover with a successful, growing SaaS business, the Group is in prime position to win market share as unregulated incumbents are forced out, and traditional asset managers rapidly enter the sector.

POST PERIOD UPDATES

In January 2021, the Group successfully raised HKD658 million in a top-up share placement that attracted investments from a number of blue-chip international financial investors.

On March 2021, the Group announced that it had signed an MOU with Venture Smart Asia Limited ("VSAL"), a Hong Kong-licensed asset manager and investment advisory firm, to provide brokerage and related services for VSAL's Hong Kong-regulated digital asset funds (the DigiTrackers Bitcoin fund and the Arrano Alpha Fund).

The agreement is the first collaboration between the first SFC-approved digital asset manager and the Group, which is the parent of the first SFC-licensed brokerage and exchange in Hong Kong.

Under the MOU, OSL will provide brokerage services, including trade execution and capital introduction services to the Arrano Alpha Fund. OSL and VSAL's blockchain arm, known as Arrano Capital, will also explore opportunities to jointly create digital asset products.

In a Hong Kong-first on 15 March 2021, OSL Digital Securities announced its official go-live with the execution of the first customer trades via its licensed trading desk, breaking new ground for financial services in Asia. Trading and storing digital assets such as Bitcoin is now securely conducted in Hong Kong with the supervision of a world-leading regulator — a major milestone in the ongoing institutional adoption of digital assets globally.

The Group retrospectively offset its carbon footprint for three years (2018-2020) in April through the purchase and retirement of voluntary carbon credits by OSL via the AirCarbon Exchange, a Singapore-based carbon credit exchange. These credits were issued under Verra's Verified Carbon Standard (VCS) Program and were generated from a solar renewable power project in India, which also meets a number of the United Nations Sustainable Development Goals, including goals related to climate action, good health, quality education, clean water and economic growth. Their retirement represents an offset by the Group in excess of its reported 647 tCO_2e (tonnes of greenhouse gas emissions) for 2018, 2019 and 2020.

The retirement of the offset tokens can be viewed on the Verra Registry at: https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=127283. The Group intends to deepen its support of the development of the carbon credit token ecosystem in 2021 as part of its ESG strategy.

Separately, and in-line with its stated ESG commitments, the Group also took a strategic equity stake in AllInfra, an ESG-related provider of digital asset products and services in early 2021.

STRATEGY AND PROSPECTS

The Group's strategic priorities for 2021 are: (1) Continue to scale the SaaS solution through acquisition of large financial institutions as customers; (2) capture the institutional and professional segment under the OSL Digital Securities licensed entity; (3) further increase assets on platform; (4) innovate and lead in the STO space; (5) continue to grow global footprint with an increasingly aggressive approach and; (6) be the employer of choice in the digital asset sector.

The trend of increased global interest and investment into digital assets has continued into 2021, further confirming the viability of the Group's business model and strategy. In February 2021, BTC topped USD1 trillion in market capitalization and hit an all time high price of over USD63,000 in April, following news that major multinationals and investment firms had invested in the asset class or were seriously considering doing so. In the span of a few months at the end of 2020 and the beginning of 2021, the sector reached and passed an inflection point. Digital assets are part of the financial system, and are here to stay.

In the months ahead, the digital asset market is expected to experience continued growth. The emergence of innovations such as Central Bank Digital Currencies and STOs will also enable further tokenization of traditional and previously illiquid assets.

In previous years, the Group's technology investments were largely focused on robustness, scalability, and compliance platforms in order to win licenses and the business of regulated institutional firms. This laid a solid foundation, the Group will continue to invest in technology development to support more products and a larger platform. The Group will also in 2021 invest heavily in human capital, innovation and new technology products and features, including mobile apps, with a pivot to aggressively growing market share.

Furthermore, the Group will look to invest and grow market share through partnerships and strategic ventures with large financial institutions in other jurisdictions. Over time I am optimistic that these partnerships will impress our shareholders in terms of scale and success.

On a personal note, witnessing the many years of hard work growing the material capability of the Group come to fruition is fulfilling. I can see the excitement and energy around our business in my interactions with staff, clients, partners and investors.

I also feel humbled and fortunate to be part of a purely digital firm succeeding at a time when other sectors of the economy are facing challenges. We must find ways to give back to the communities in which we operate, and I consider ESG work and participation in related and emerging markets as a critical and strategic factor in the Group's evolution.

ACKNOWLEDGEMENTS

I would like to thank all of our clients, partners and shareholders, as well as our Board of Directors and staff for their continued support as we change the nature of financial markets, in a passionate, thoughtful and responsible manner.

H Madden

Madden Hugh Douglas
Chief Executive Officer
BC Technology Group Limited

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Net Proceeds from January Subscription Shares

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. The table below sets out the proposed application of net proceeds after usage up to 31 December 2020:

Purpose of the net proceeds	Amount of net proceed intended to be allocated HK$ million (approximately)	Actual utilised amounts as of 31 December 2020 HK$ million (approximately)	Unutilised amount as of 31 December 2020 HK$ million (approximately)
Repayment of loans	70	70	–
For general working capital and financial reserves of the group	210	–	–
— Payment of monthly expenditure	–	195.7	–
— Payment of other expenses	–	14.3	–
	280	280	–

License Granted by the SFC to Operate Virtual Asset Trading Platform

On 6 November 2019, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 an 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 clients' 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB196.8 million (FY2019: RMB168.2 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: Nil).

Dividend

The board of directors (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).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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 domestic automotive sector, 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 RMB35.1 million 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 five as the co-founder and chief executive officer of Enuma. He also worked for 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 an 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

In 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Advertising and Business Park Area Management Services Business in Mainland China

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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"), Renminbi ("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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 this annual report, the Group did not have any other material events occurred subsequent to the financial position date.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Ken Bon ("Mr. Lo"), aged 44, is currently an executive Director of the Company and the deputy chairman of the Board. He is also the chairman of the Nomination Committee, the Risk Management Committee and a committee member of the Remuneration Committee of the Company.

Mr. Lo is a blockchain thought leader with over 20 years' experience in management consulting and strategy execution. Widely recognized for his knowledge in blockchain technology, Mr. Lo often speaks on blockchain trends at major industry events, including Hong Kong's Belt and Road Conference and Hong Kong Fintech Week. He has also shared his insights on fintech with decision-makers and influencers around the world in interviews with top-tier media including Bloomberg, CNBC and CNN.

Mr. Lo serves on the Corporate Membership Outreach Committee for the Hong Kong Securities Institute ("HKSI"). Prior to joining the Company, Mr. Lo worked in senior roles at leading global companies such as Verizon, British Telecom, Accenture, Bank of Montreal and ANX International previously.

Mr. Lo has not held any position in other listed companies in the last three years.

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), aged 69, is currently an executive Director of the Company. Mr. Ko is also the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 500) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Ko has extensive experiences in direct investment, merger and acquisition, TMT (Technology, Media and Telecom) and financial service.

Mr. Madden Hugh Douglas ("Mr. Madden"), aged 44, is currently an executive Director and the Chief Executive Officer of the Company. He is also a director of a subsidiary of the Company.

Mr. Madden has had two decades of experience in blockchain, financial markets and security and previously served as the Chief Technology Officer of the Company.

Mr. Madden worked as a Lead Architect, FX, at HSBC and as a Solutions Architect, Institutional Banking & Markets at Commonwealth Bank of Australia. His professional experience also includes senior roles at Lloyds Bank, HBOS and the Bank of Scotland Treasury Australia and ANX International.

Mr. Madden is active in several industry associations and holds a Bachelor's in Computer Science from the University of Newcastle.

Mr. Madden has not held any position in other listed companies in the last three years.

Mr. Chapman David James ("Mr. Chapman"), aged 40, is currently an executive Director of the Company.

Mr. Chapman is a serial entrepreneur and has more than 14 years of experience in blockchain, digital assets, finance and technology.

In his role at the Company, Mr. Chapman oversees business operations for OSL, Asia's leading digital asset platform providing brokerage, exchange, custody and SaaS services to institutions.

Prior to joining the Company, Mr. Chapman held senior roles with HSBC, Credit Suisse, Barclays Capital, ABN AMRO and Bear Stearns, among others. In these roles, he specialised in risk analysis and order management systems and was responsible for the design and implementation of a wide range of trading platforms.

Mr. Chapman has not held any position in other listed companies in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tiu Ka Chun, Gary ("Mr. Tiu"), aged 43, is currently an executive Director of the Company. He is also the Head of Regulatory Affairs of the Company.

Mr. Tiu has more than 20 years of experience as a corporate legal counsel, specialising in regulatory affairs and financial products.

Prior to joining the Company, Mr. Tiu served as General Counsel for Yunfeng Financial Group and Asia Head of Legal and Compliance for Cantor Fitzgerald and BGC Partners. Earlier in his career, Mr. Tiu specialised in structured derivatives, private equity and managed investment products at Macquarie Group and CITIC Capital.

Mr. Tiu holds a Bachelor of Laws and a Bachelor of Arts from the University of New South Wales.

Mr. Tiu has not held any position in other listed companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David ("Mr. Chau"), aged 57, is an independent non-executive Director of the Company. He is also the chairman of the Audit Committee, the Remuneration Committee and is a member of the Nomination Committee and the Risk Management Committee of the Company.

He has over 20 years' experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as the Head of Mergers and Acquisitions and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a fellow member as well as director of the HKSI and the chairman of Corporate Membership Outreach Committee and China Strategy Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is also currently an independent non-executive director of China Evergrande Group (stock code: 3333), China Evergrande New Energy Vehicle Group Limited (formerly known as Evergrande Health Industry Group Limited) (stock code: 708), HengTen Networks Group Limited (stock code: 136), IDG Energy Investment Limited (stock code: 650), Lee & Man Paper Manufacturing Limited (stock code: 2314) and Man Wah Holdings Limited (stock code: 1999). All the aforesaid companies are listed on the Main Board of the Stock Exchange.

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (stock code: 313) from February 2014 to September 2018 and Asia Grocery Distribution Limited (stock code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Stock Exchange.

Mr. Chia Kee Loong, Lawrence ("Mr. Chia"), aged 66, is an independent non-executive Director of the Company. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Mr. Chia is currently the Chief Executive Officer of Samling Group of Companies ("Samling"), which is a conglomerate with global businesses in a number of sectors notably automotive, timber, palm oil, properties and infrastructure. Before joining Samling, Mr. Chia was the Chief Executive Officer of Deloitte China until September 2016. Mr. Chia is a Chartered Accountant of the Institute of Chartered Accountants of England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chia was appointed as an independent non-executive Director at New Frontier Health Corporation, a company listed in the New York Stock Exchange on 31 March 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai Benedict ("Mr. Tai"), aged 65, is an independent non-executive Director of the Company. He is also a member of the Audit Committee and the Risk Management Committee of the Company.

Mr. Tai graduated from Columbia University School of Law with a J.D. degree and is currently a retired partner of Jones Day, one of the largest law firms in the United States. Mr. Tai has many years of experience working in corporate, banking, and cross border mergers and acquisitions. In recent years, his practice has focused on representing numerous Chinese IT, technology, communications, media, and Internet companies seeking to raise funds in the public and private markets as well as multinational clients seeking platform acquisitions in China. Mr. Tai previously worked for Lehman Brothers as an investment banker in the Technology, Media and Telecom group and helped found Latitude Capital Group, a boutique merchant bank with offices in Hong Kong, Beijing and Shanghai. Mr. Tai is admitted to the New York Bar.

Mr. Tai has not held any position in other listed companies in the last three years.

SENIOR MANAGEMENT

Mr. Steve Zhang ("Mr. Zhang"), aged 37, has been the Chief Financial Officer of the Company since December 2018. Mr. Zhang has over 15 years of experience in leading technology and financial services firms including iTutorGroup, Kingdee International Software Group, HSBC, Macquarie, Deutsche Bank, and Lehman Brothers, where Mr. Zhang has held roles in financial planning and reporting, capital markets, fundraising, and investor relations.

Mr. Wayne Trench ("Mr. Trench") , aged 38, has been the Chief Executive Officer of OSL since October 2018. Mr. Trench oversees all of OSL's activities, including trading and brokerage operations, product development and governance. He has more than 15 years of experience in digital assets, investment banking, trading and finance. Prior to joining OSL, Mr. Trench held senior roles in major financial institutions, including as CEO of Octagon Strategy and Asia head of electronic trading coverage for Morgan Stanley. He is also an entrepreneur, co-founding Aspir, a diversified mineral processing technology and equipment supplier in Australia, which was acquired by the Weir Group in 2013. He holds an MBA from the University of Southern Queensland, a Bachelor's in Business Management from the University of Queensland and is a graduate of the Australian Institute of Company Directors.

Mr. Phillip Pon ("Mr. Pon"), aged 45, has been the Group Chief Operating Officer of the Company since April 2018. Mr. Pon has more than two decades of experience as a senior executive and consultant, including across private equity and venture capital in Asia, North America, and Europe. Prior to joining the Company, Mr. Pon held senior sales, client service, and operational roles at leading global organizations, including Egon Zehnder, Gerson Lehrman Group, KKR and McKinsey & Company. Mr. Pon holds an Honours in Business Administration from Ivey School of Business at Western University and a Master's of Science in Forced Migration from Oxford University.

Mr. Usman Ahmad ("Mr. Ahmad"), aged 42, has been the Group Chief Information Officer of the Company since October 2018. Mr. Ahmad is a senior financial services IT executive with more than two decades of experience in investment banking, regulatory, compliance and control oversight, Over the course of his career, he has held senior positions in technology at leading financial services companies in London, New York and Hong Kong. Prior to joining BC Group, Mr. Ahmad was with HSBC, where he was the Global Head for Fixed Income Derivatives Technology, and Merrill Lynch, where he led International STIRT and Repo Technology, amongst other positions. Mr. Ahmad holds a Bachelor of Science in Computer Science and Management from Loughborough University.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2020.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company, transparency and accountability of all aspects of operations and that its business is conducted in accordance with high ethical standard and with applicable laws and regulations.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board considers that good corporate governance provides a framework that is crucial for effective management, successful business growth and a healthy corporate culture which in return benefits the Group's stakeholders as a whole and also to ensure that overall business risk is understood and managed appropriately and that high standard of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the "CG Code") as published by the Stock Exchange sets out the principles of good corporate governance and provides two levels of recommendation:

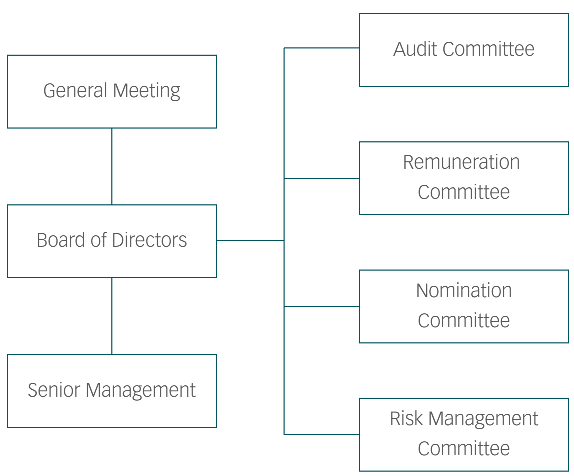
- Code provisions, with which issuers are expected to comply, but with which they may choose not to comply, provided they give considered reasons for non-compliance;

- Recommended best practices, with which issuers are encouraged to comply, but which are provided for guidance only.

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 CG Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on Stock Exchange ("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.

The Corporate Governance Structure of the Company for the Year is as follows:



CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

Overall Accountability

The Board is committed to providing effective and responsible leadership for the Company. The Board is accountable to the Shareholders and in discharging its corporate accountability. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders and fulfil his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Responsibilities

The Board has authorised the management or senior management who are responsible for various business functions to handle the daily operation and day-to-day management affairs of the Group and report to the Board from time to time.

The key responsibilities of the Board include, among other things,

— maintaining and promoting the culture of the Company

— formulation of long-term strategy and setting the general strategy of the Group

— supervising the performance of the Group

— approving operating plans and investment proposals

— approving public announcements, including financial statements

— approving annual budgets and forecasts

All Directors are provided with full and timely access to Board papers and relevant information, as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.

Upon request to the Board, each Director may seek independent professional advice in appropriate circumstances to assist with the discharge of his/her duties as a director at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. Clear directions as to the powers, scope of delegation and relevant arrangements were given to the senior management and subject to periodic review to ensure that they remain appropriate to the Company's needs. Reporting to the Board and prior approval of the Board are necessary before the senior management entering into any material transactions and assuming significant commitments on behalf of the Company.

The Board monitors management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

— monthly management summary

— internal and external audit reports

— feedback from external stakeholders

CORPORATE GOVERNANCE REPORT

The Board has the full support of the senior management to discharge its responsibilities.

During the year ended 31 December 2020, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed the Company's policies and practices on corporate governance and compliance and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the CG Code and the disclosure in the Corporate Governance Report.

The directors acknowledge their responsibility for preparing the financial statements and ensuring that the financial statements are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of skills, knowledge and experience so that it works effectively as a team and individuals or groups do not dominate decision-making.

The Board comprises eight Directors, five of whom are executive Directors (namely, Mr. Lo Ken Bon (Deputy Chairman), Mr. Ko Chun Shun, Johnson, Mr. Chapman David James, Mr. Madden Hugh Douglas (Chief Executive Officer) and Mr. Tiu Ka Chun, Gary) and three of whom are independent non-executive Directors (namely, Mr. Chau Shing Yim, David, Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict).

The current Directors and their brief biographical details are set out in the section headed "Biographical details of Directors and Senior Management" of this annual report.

Chairman and Chief Executive

The CG Code requires that Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between running of the Board and the executives who run the business. Mr. Lo Ken Bon was appointed as Deputy Chairman of the Board and Mr. Madden Hugh Douglas was appointed as the Chief Executive Officer of the Company. The Board will also continue to use its best endeavour to determine and appoint a suitable candidate to assume as the post of Chairman as soon as possible.

Appointment and Re-election of Directors

Pursuant to Article 112 of the Memorandum of Association and Articles of Association of the Company (the "Articles"), the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members after his appointment and be subject to re- election at such meeting; and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108(a) of the Articles, at each annual general meeting, at least one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re- election.

Accordingly, Mr. Lo Ken Bon, Mr. Madden Hugh Douglas and Mr. Chapman David James shall retire at the annual general meeting and being eligible, offer themselves for re-election.

The Company has been complying with Listing Rule 3.10(1) and (2), and 3.10A in which maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members and has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Group as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independency pursuant to Rule 3.13 of the Listing Rules and the Company considers these independent non- executive Directors to be independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

Every newly appointed Director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process.

During the Year, the Company had provided to the Directors regular updates and presentations on changes and developments to the Group's business and the legislative regulatory environments in which the Group operates.

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2020, all current Directors have participated in continuous professional development as shown below:

Name of Directors	Reading relevant matters in relation to listing rules update and corporate governance
Executive Directors	
Mr. Lo Ken Bon	✓
Mr. Ko Chun Shun, Johnson	✓
Mr. Madden Hugh Douglas	✓
Mr. Chapman David James	✓
Mr. Tiu Ka Chun, Gary	✓
Independent Non-Executive Directors	
Mr. Chau Shing Yim, David	✓
Mr. Chia Kee Loong, Lawrence	✓
Mr. Tai Benedict	✓

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate liability insurance to cover the Directors' risk exposure arising out of corporate activities. The insurance coverage is reviewed annually.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

As an important component of sound corporate governance practices and to oversee the general affairs of the Company in each aspect as well as to assist the Board to perform its duties, the Board had set up four board committees, which are Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. A half or more than a half of the members of Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee are independent non-executive Directors to ensure that independent and objective opinions could be sufficiently expressed and that the committees can serve the role of inspection and supervision.

The list of members and terms of reference of each of the board committees are disclosed on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee currently comprises 3 independent non-executive Directors namely, Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict.

Under its terms of reference, the Audit Committee is required among others things, (i) to monitor, review the financial reports and give advice on matters in respect of financial reporting; (ii) to make recommendations to the Board on the appointment, reappointment and removal of external auditors; and (iii) to oversee internal control procedures of the Company.

During the year ended 31 December 2020, the Audit Committee among other matters, reviewed report from the independent auditor regarding the audit on annual consolidated financial statements, reviewed the interim results with the management team and met with the independent auditor. The Audit Committee also reviewed the report from another independent internal control consultant on the internal control of the Company.

Risk Management Committee

The Risk Management Committee currently comprises of 4 members, comprising Mr. Lo Ken Bon (Chairman), Mr. Chau Shing Yim, David, Mr. Tai Benedict and the Chief Risk Officer of the Company.

Under its terms of reference, the responsibilities of the Risk Management Committee are, among others, (i) to review on the overall risk management strategies and risk appetite/tolerance statement(s) of the Group which should be commensurate with its operations and strategic goals, taking into account all relevant risk-related matters encountered by the Group; (ii) to review and assess regularly the adequacy and effectiveness of the Group's risk management framework, internal control systems and risk management policies and procedures in identifying, measuring, monitoring and controlling risk, and oversee their effective operation, implementation and maintenance; (iii) to regularly communicate with the risk management function to ensure that there are no unresolved issues or concerns; and (iv) to report significant risk management issues to the Board as set out in these terms of reference.

During the year ended 31 December 2020, the Risk Management Committee (i) reviewed the potential risks in overall business, risk management strategies of the Group; (ii) reviewed the implementation of business continuity arrangement in response to COVID-19 pandemic; and (iii) reviewed risk reports and any breaches of risk tolerances and policies.

Discussion of risks during the year are further described in the Management Discussions and Analysis under section headed "Risk Disclosures".

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee currently comprises 3 Directors, namely Mr. Chau Shing Yim, David (Chairman), Mr. Lo Ken Bon and Mr. Chia Kee Loong, Lawrence.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference, the responsibilities of the Remuneration Committee include, inter alia, (i) assisting the Company to the administration of a formal and transparent procedure for developing remuneration policies; (ii) to make recommendations to the Board on the remuneration package of executive Directors and senior management of the Company; and (iii) to ensure that none of the Directors determined his own remuneration.

The goal of developing staff remuneration packages is to enable the Company to motivate the executive Directors and senior management by linking their remuneration to the Company's operating results, individual performances and comparable market rates.

During the year ended 31 December 2020, the Remuneration Committee (i) reviewed the overall remuneration policy and structure relating to the Directors and senior management of the Company; and (ii) make recommendation to the Board on the remuneration packages of individual executive Directors and the senior management.

Nomination Committee

The Nomination Committee currently comprises 3 Directors, namely Mr. Lo Ken Bon (Chairman), Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference, the responsibilities of the Nomination Committee is to make recommendations to the Board regarding the appointment or reappointment of Directors of the Company.

The Nomination Committee is also responsible for the review of the nomination policy, considering selection criteria of potential new Directors that will make a positive contribution to the performance of the Board and Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Company has adopted a nomination policy which sets out the selection criteria in assessing the suitability of the proposed candidate for directorship and the nomination procedures for Directors.

Nomination Procedures and Process

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

— The secretary of the Nomination Committee shall call a meeting, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration.

— For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval.

— For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

— In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

— The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Criteria adopted by the Nomination Committee

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

— **Reputation for integrity**: The candidate should be of the highest ethical character and have a strong reputation and standing, both personally and professionally, in his or her fields.

— **Business Experience**: The candidate should have significant experience from a senior role in an area of business, public affairs or academia, relevant to the Company. Awareness of the Group's focusing industry would be an advantage but not a requirement in all cases.

— **Time commitment**: Each Board member must have sufficient time available for the proper performance of his or her duties. Directors should be sufficiently free of other commitments to be able to devote the time needed to prepare for meetings and participate in induction, training, appraisal and other Board associated activities.

— **Diversity**: The candidate should contribute to the Board being a diverse body, with diversity reflecting gender, age, cultural and educational background, ethnicity, professional experience, qualifications, skills and length of service. Given the current composition of the Board, a female candidate would be an advantage but not a requirement.

— **Independence**: For the candidate who is proposed as an independent non-executive Director, he or she must satisfy all the independence requirements as set out in Rule 3.13 of the Listing Rules. He or she must always be aware of threats to his or her independency and avoid any conflict of interest with the Company. He or she must be able to represent and act in the best interest of the Company and its shareholders as a whole.

These factors are for reference only, and not meant to be exhaustive and decisive. To ensure that the existing policy continues to be implemented smoothly in practice, the Company shall undertake regular reviews and reassess this policy having regard to the regulatory requirements, good corporate governance practice and the expectations of the Shareholders and other stakeholders of the Company. The Company will propose amendments to the Board for approval.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of a Board that possesses an appropriate balance and levels of skills, gender, experience, expertise and diversity of perspectives essential to support the execution of its corporate and business strategies and to enhance the quality and effectiveness of its performance. Board diversity will strengthen the Company's strategic objectives in driving business results, enhancing good corporate governance and reputation, and attracting and retaining talent for the Board.

The Company seeks to achieve Board diversity through considering of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board considers that the current board composition is diverse and meets the criteria (except that there is no female director in the Board) of the board diversity policy. The Board will review the composition from time to time to ensure that the board diversity policy is complied.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

The Company convenes meetings for the Board and board committees in accordance with the requirements of the Listing Rules and the articles of association of the Company. The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2020 are set out as below:

	Attended/Eligible to Attend					
	The Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting	General Meeting
Number of meetings	9	2	4	1	1	2
Executive Directors						
Lo Ken Bon	9/9	–	4/4	1/1	1/1	2/2
Ko Chun Shun, Johnson	9/9	–	–	–	–	2/2
Madden Hugh Douglas	9/9	–	–	–	–	2/2
Chapman David James	9/9	–	–	–	–	2/2
Tiu Ka Chun, Gary	9/9	–	–	–	–	2/2
Independent non-executive Directors						
Chau Shing Yim, David	9/9	2/2	4/4	1/1	1/1	2/2
Chia Kee Loong, Lawrence	9/9	2/2	4/4	1/1	–	2/2
Tai Benedict	8/9	2/2	–	–	1/1	2/2

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by the external auditors to the Group in 2020 is summarised as follows:

Services rendered	Fees paid/ payable RMB
PricewaterhouseCoopers	
Audit service	9,300,760
Non-audit service	
Fee for tax compliance and other advisory services	1,733,636

COMPANY SECRETARY

During the year, Ms. Chau Wing Kei had been the Company Secretary of the Company. The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with Shareholders and with management. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update her skills and knowledge.

SENIOR MANAGEMENT REMUNERATION BY BAND

The emoluments fell within the following bands:

Emoluments	Number of individuals
HKD5,500,001 to HKD6,000,000	1
HKD6,000,001 to HKD6,500,000	1
HKD7,000,001 to HKD7,500,000	1
HKD15,000,001 to HKD15,500,000	1

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board and the Directors

The Directors acknowledge their responsibility for preparing the financial statements and ensuring that the financial statements are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Auditor's Statement

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 57 to 63 of this Annual Report.

Senior Management

The senior management has provided the Board with sufficient explanation and necessary information enabling the Board to make an informed assessment of financial and other information put before the Board for approval.

Senior management has provided regular update to all members of the Board to enable proper discharge of duties by the Board as a whole or each member individually by giving them balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of the Company has an overall responsibility for setting forth proper risk culture and risk appetite for the Group. The Board through the Risk Management Committee and the Audit Committee are also devoted to maintaining sound and effective internal controls and risk management of the Group on an ongoing basis so as to safeguard the assets of the Group against unauthorised use or disposal, keep appropriate accounting records for the provision of reliable financial information to be used or published within the scope of business, and ensure compliance with applicable laws and requirements.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well established organisational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

During the Review Period, the Group has engaged an external independent professional (the "internal auditor") to carry out the Group's internal control review with a view to assisting the Group to implement its risk assessment and reviewing its internal control systems.

The internal auditor assisted the Board, the Audit Committee and the Risk Management Committee in reviewing the effectiveness of risk management and internal control systems and performing its functions during the Review Period following an annual audit plan and submitting the internal audit report to the Board, the Audit Committee and the Risk Management Committee. The Audit Committee and the Risk Management Committee provide independent review on effectiveness of the internal control and risk management systems of the Group, respectively, and give their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the management.

The Group has been maintaining procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

The Board had reviewed the risk management and internal control systems for the year ended 31 December 2020 through the Audit Committee, the Risk Management Committee, the management of the Company and the internal auditor, and considers the systems are effective and adequate. Such review covers (i) all material controls, including but not limited to financial, operational and compliance controls; (ii) risk management functions; and (iii) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems are designed to further safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Board endeavours to develop and maintain continuing relationships and effective communications with the shareholders and investors of the Company. The Company communicates with the shareholders and investors through various channels including press releases and publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors. All proposed ordinary resolutions were passed by way of poll at the meeting.

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders may also at any time send their enquiries and concerns to the Board by addressing to the Company by post or by email. There were no changes in the Company's constitutional documents during the year ended 31 December 2020.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meetings

Pursuant to Article 64 of the Articles, any shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such meeting shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the website of the Company.

Enquiries to the Board

Shareholders could direct their questions about their shareholdings to the Company's share registrar in Hong Kong, Tricor Investor Services Limited. The investment community may at any time make a request for the Company's information to the extent such information is publicly available and we would provide designated contact person, email addresses and hotline of the Company to enable them to make any query in respect of the Company.

Shareholders and potential investors are welcome to communicate with the Company by email to ir@bc.group or telephone at +852 3504 3200. Shareholders may also put forward their written enquiries to the Board at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong to the attention of the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

BC TECHNOLOGY GROUP ESG OVERVIEW

The Group believes that sustainable business practices are integral to the creation of long-term value to society. It is committed to being a good corporate citizen and bringing value to its stakeholders through the integration of environmental, social and governance ("ESG") considerations in its business practices.

The Group is committed to improving its ESG performance by upholding good corporate governance standards, adopting climate-friendly practices, engaging its stakeholders and promoting social integration.

In particular, the Group aims to be carbon neutral, and neutrality will initially be achieved by purchasing voluntary carbon credits using blockchain or distributed ledger technology, in-line with the Group's industry positioning.

This is the fifth ESG report of the Group, which has been prepared in compliance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules and based on actual conditions of the Company.

Adhering to the reporting principles of materiality, quantitative, balance and consistency, this report aims at sharing the Group's performance with regards to sustainable development and to summarise its efforts made on sustainability during the year ended 31 December 2020. This report covers Hong Kong SAR and Mainland China as no significant ESG-related data has been generated from our Singapore operations this year.

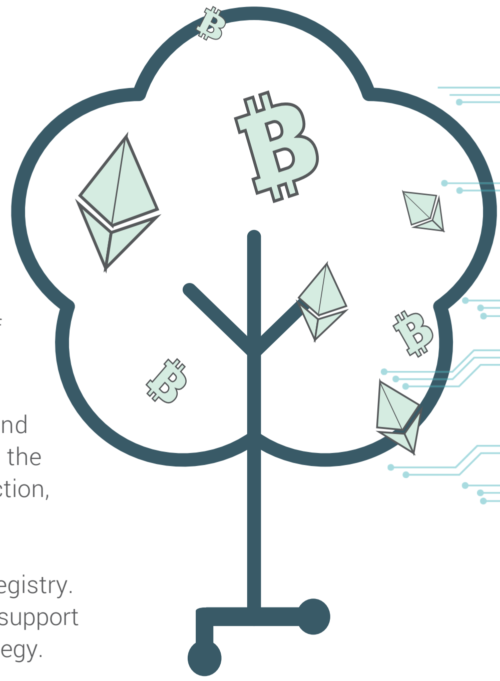
The board of directors has approved the content of the report. The Group values feedback on its overall sustainability practices. Please provide comments by email to ir@bc.group.

APPROACH AND STRATEGY

The Board has overall responsibility for evaluating and determining ESG-related risks to the Group; and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems with a view to addressing ESG-related issues.

The Group believes in delivering long-term sustainable value creation to its stakeholders. In doing so, and while the Group carries on its business, the management makes choices that bring positive impact to the community. The Group has adopted policies that cover ESG issues that pertain to financial services and technology businesses, including in the areas of employment and labour practices, business integrity, data security and privacy, anti-money laundering, anti-corruption, market surveillance and transaction monitoring policies. The Group is also committed to supporting sustainable environmental standards and to ensure implementation of environmentally friendly measures.

CARBON NEUTRALITY



The Group's ESG Working Group (details below) is currently developing a carbon offset strategy that involves the use of blockchain or distributed ledger technology.

In April 2021, the Group retrospectively offset its carbon footprint for three years (2018-2020) through the purchase and retirement of voluntary carbon credits by OSL via AirCarbon Exchange, a Singapore-based carbon credit exchange. Their retirement represents an offset by BC Group in excess of its reported 647 tCO_2e (tonnes of greenhouse gas emissions) for 2018, 2019 and 2020.

The credits were issued under Verra's Verified Carbon Standard (VCS) Program and generated from a solar renewable power project in India, which meets a number of the United Nations Sustainable Development Goals, including goals related to climate action, good health, quality education, clean water and economic growth.

The retirement of the offset tokens can be viewed on the Verra Registry at: https://registry.verra.org/myModule/rpt/myrpt.asp?r=206&h=127283. BC Group intends to deepen its support of the development of the carbon credit token ecosystem in 2021 as part of its ESG strategy.

ESG WORKING GROUP

The Group established an ESG Working Group during the year ended 31 December 2020. The ESG Working Group is a representative body of BC Group staff and management, established to drive, support and enhance communication, engagement and change to the Group's ESG capability and impact. The ESG Working Group meets regularly to identify ESG issues and opportunities, formulate ESG policy, oversee the implementation of ESG initiatives, and provide recommendations to senior management on ESG-related matters. Roles and responsibilities of the involved parties are outlined below:

Role	Responsibilities
The Board	• Set the general direction of the Group's ESG strategies • Ensure the effectiveness of ESG-related policy execution • Review ESG-related issues regularly; and • Review and approve the Annual Report and ESG Report
ESG Working Group	• Identify ESG issues, undertake preliminary materiality assessment based on enterprise risk and stakeholder engagement and feedback • Formulate ESG-related policies that reflect and enhance the corporate brand and values, and provide recommendations to senior management • Monitor and oversee the implementation of the Group's ESG policies and initiatives, including any internal education and training and/or external partnership activities
Departments of the Group	• Assist to collect quantitative data for ESG reporting • Execute ESG-related policies and tactics • Assist the ESG Working Group as needed

STAKEHOLDER ENGAGEMENT

The Group recognises that feedback from stakeholders is vital for the Group and its sustainability goals. Effective communication with key stakeholders is maintained to form and adjust the Group's ESG strategy and tactics. The following table is a stakeholder communications matrix illustrating stakeholder expectations and concerns and means of communication for different stakeholder groups:

Stakeholders	Expectations and concerns	Means of communication and responses
Government/ regulatory organisations	• Compliance with laws and regulations • Fulfilment of tax obligations • Promotion of regional economic development and employment	• Regulatory compliance with local laws and regulations • Annual and interim reports • Company websites
Shareholders/ investors	• Return on investment • Information transparency • Business compliance • Corporate governance	• Annual general meeting • Annual and interim reports • Announcements and circulars • Company websites • Investor Calls and Briefings
Employees	• Labor rights • Training and career development • Benefits and welfare • Healthy and safe working environment	• Regular meetings and town halls • Training, seminars and workshops • Intranet, emails, circulars and manuals • Performance appraisals
Customers	• Regulatory compliance • Digital asset platform security • Information transparency • Data privacy	• Company websites, brochures and reports • Exhibitions, email

MATERIALITY ASSESSMENT

The ESG Working Group has identified certain key issues that are relevant to digital asset exchange platform operators and software or IT service providers. These include compliance safeguards such as: anti-money laundering (AML) and combating the financing of terrorism (CFT), maintaining transparent and orderly markets, managing conflicts of interest, data privacy and security. Given the Group's carbon neutral ambition, the ESG Working Group is also tasked with identifying material climate-related risks and opportunities, including those related to the use of blockchains and digital assets. Effective risk management and internal control systems on these aspects are being developed or reinforced with the aim of enhancing efficiency of operations and generating environmental and social benefits for stakeholders.

COMPLIANCE

The Group is committed to high standards of regulatory compliance and operating transparent, fair and orderly digital asset markets. The Group recognises both the social benefits, including the opportunity for greater financial inclusion and value protection in cases of geopolitical conflicts, and the perils of abuse in the transfer of digital assets in all parts of the world via the internet. The Group has implemented compliance safeguards and has opted in to regulatory frameworks relating to anti-money laundering (AML) and counter-terrorism financing that are applicable to financial institutions in Hong Kong. Its digital asset platforms impose AML "know your customer" (KYC) standards on their users to combat financial crime or regulatory circumvention. Further, blockchain analytics tools are utilised to analyse sources of the digital assets received by the Group to further enhance our compliance framework.

The Group has also implemented other policies and measures to address any non-compliance or security issues. These include policies relating to conflicts of interests, market surveillance and transaction monitoring tools to maintain fair and orderly digital asset markets. It has also established security measures and protocols in accordance with good industry standards, with insurance that provides safeguards in case of thefts or losses of digital assets held in the Group's platforms. The Group also maintains a data privacy policy in accordance with relevant laws and industry practices.

The Group is not aware of any material non-compliance with relevant laws and regulations during the reporting period.

A. ENVIRONMENTAL PERFORMANCE

A1 EMISSIONS

The Group is committed to the long-term sustainability of the environment and communities in which it operates and has, to its best knowledge, complied with all relevant laws and regulations regarding environmental issues in the countries in which it operates during the reporting year. For the year ended 31 December 2020, the Group measured and managed its environmental performance in several aspects throughout its operations.

AIR EMISSIONS

Air pollution has become one of the biggest issues in cities. The Group believes that every company should take responsibility to help solve this problem. The Group has never engaged in industrial or agricultural production and is a service enterprise. Its source of emissions in 2020 was daily office work in a general office environment, and emissions can be categorised as greenhouse gas and poison-free waste (domestic waste). The Group had no other harmful waste emissions to the atmosphere.

The Group's air emissions were generated mainly from gasoline consumption from vehicles in China in 2020 (with 2019 comparative data) are as follows:

Air Emissions	Unit	2020	2019
Total NO_x	Emissions tonnes	2.03×10^{-2} t	1.37×10^{-1} t
Total SO_x	Emissions tonnes	5.05×10^{-5} t	3.60×10^{-4} t
Total PM	Emissions tonnes	1.94×10^{-3} t	1.32×10^{-2} t

Due to the outbreak of COVID-19 in China, the Group adopted a "work from home" policy. Staff in China worked from home during the reporting year. The decrease in transportation activities reduced the demand for vehicles. Gasoline consumption was therefore reduced and air emission declined accordingly. Most staff in Hong Kong also worked from home during most of the reporting year.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSERVATION

The impact of global climate change is a challenge that businesses and organisations around the world must face and address. The Group's greenhouse gas emissions are mainly from direct emissions from gasoline consumption of our vehicles and indirect emissions generated by using outsourced electricity. The following table shows the figures of the Group's greenhouse gas emissions during the reporting year (with 2019 comparative data):

Greenhouse Gas Emissions	Unit	2020	2019
Total Scope 1 Direct Emissions	tCO_2e	8.11	57.87
Total Scope 2 Indirect Emissions	tCO_2e	169.28	201.15[1]
Total Scope 3 Other Indirect Emissions	tCO_2e	2.78	64.72
Total Greenhouse Gas Emissions	tCO_2e	180.17	323.74

Note 1: The comparative figure in 2019 had been restated due to new data available

The Group in 2020 strategically expanded its digital assets and blockchain platform business and actively planned and implemented the necessary operational infrastructure such as expansion of IT infrastructure to support business development and growth.

The reason for the reduction in direct emission under Scope 1 has been explained in section A1 above. In light of COVID-19, business meetings were conducted through software-based conference tools instead of physical meetings on many occasions. Therefore, the number of business trips and other indirect emissions were reduced significantly as compared to the prior year.

A2 USE OF RESOURCES

The Group strives to maximise resource efficiency and is gradually transforming itself into a low-carbon business model. In 2020, total direct energy consumption from use of gasoline was 3,435 liters. In addition, total indirect energy consumption from the use of electricity was 214,307 kWh. The Group's total water consumption was 36.78 m^3.

Types of Resources (A)	Unit	2020	2019
Gasoline	liter	3,435	24,520
Purchased Electricity	kWh	214,307	254,647.6[1]
Tap Water	m^3	36.78	55.93[2]
Office area (B)	m^2	3,496	3,496

Resource Consumption Intensity (C)=(A)/(B)	Unit per m^2	2020	2019
Gasoline	liter/m^2	0.98	7.01
Purchased Electricity	kWh/m^2	61.3	72.84[1]
Tap Water	m^3/m^2	0.011	0.016

Note 1: The comparative figure in 2019 had been restated due to new data available

Note 2: The comparative figure in 2019 had been restated due to reclassification of water consumption

The decrease of gasoline consumption has been explained in section A1 above. Water consumption has slightly decreased since water usage was included in the management fee of the Hong Kong office, and water consumption data was not available.

To reduce the Group's carbon footprint, the following measures have been implemented:

The Group uses energy-efficient equipment and lighting devices in its offices and turns lighting on and off only during and directly after usage. A higher temperature for air conditioners was set in the summer time and a lower temperature was set in the winter time.

WASTE MANAGEMENT AND REDUCTION

The Group works diligently to reduce waste produced from operations by sorting waste, and reusing materials wherever possible. The Group recognizes the importance of waste reduction and waste separation at source for recycling. The Group has made continuous efforts to implement various waste management initiatives in its office operations. The Group has implemented various waste reduction measures as follows:

The Group reduces paper consumption by using electronic means (e.g. email) for communication, sourcing office paper with recycled content, printing only when necessary and reusing single-sided printing paper and stationeries.

Apart from above resources management, no significant amount of hazardous waste was produced and emitted to water and land. Therefore, the Group does not collect hazardous waste data. The following table shows the figures of material consumption in the Group's business operations:

Material Consumption	Unit	2020	2019
Paper Consumption	tonnes	0.74	0.82
Toner Consumption	pieces	10	25

A3 THE ENVIRONMENT AND NATURAL RESOURCES

Due to the features of the service industry, business activities of the Group had no significant impact on environmental and natural resources. Meanwhile, the Group recognises that businesses must take responsibility for their industry's impact on the environment and the Group should bear responsibility and fulfil the obligations of protecting and making appropriate use of the environment.

The Group is committed to applying industry best practices and to comply with legislation, establish and review safety, security and environment objectives and targets, use energy and materials efficiently and reduce waste and emissions and communicate the Group's environmental protection policy to all staff.

B. SOCIAL PERFORMANCE

The Group recognises the importance of compliance with regulatory requirements and risk of non-compliance with the laws and regulations regarding social issues. In particular, the Group has since 2018 opted in to transparent regulatory regimes and adhered to anti-money laundering policies imposed on financial institutions in Hong Kong in conducting its digital asset business. The Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group during this reporting year.

B1 EMPLOYMENT AND LABOUR PRACTICES

The achievements made by the Group were inseparable from the joint efforts of all staff members. Therefore, employee benefits were regarded as one of the primary objectives with a view to rewarding all employees who had contributed to the Group.

The Group has adopted a comprehensive human resources manual which includes policies and procedures applicable to staff. All employees are treated fairly with regard to recruitment, training and development, appraisal of work performance, promotions, remuneration and benefits. Staff dismissals are based on the Hong Kong Employment Ordinance or relevant local laws and regulations, as well as the requirements stipulated in the employment contracts.

The Group is committed to providing equal opportunity for all employees and applicants without regard to race, color, religion, national origin, sex, age, marital status, sexual orientation, disability, political affiliation, personal appearance, family responsibilities, matriculation or any other characteristic protected under local law.

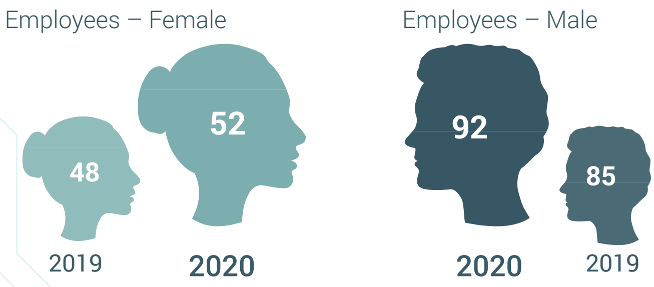
The Group provides a competitive package of benefits to all eligible employees according to their job requirement and individual performance. The work of each employee is reviewed on an ongoing basis to provide a systematic means of evaluating performance.

The Group is committed to creating an excellent working environment. Comfortable offices are located in convenient locations. Based on the features of the principal business, the Group set appropriate working hours and rest breaks for all staff members. Working hours could also be flexibly adjusted according to job positions for adapting to different functions. The Group also provides paid marriage leave, causal leave and compassionate leave in addition to statutory holidays and distributed welfare items to employees on traditional holidays.

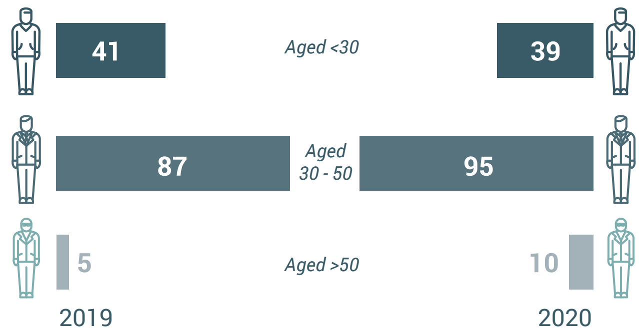
As at 31 December 2020 (with 2019 comparative data), the Group employs 144 staff in total.

Workforce statistic by gender, age group, employment type and employment category:

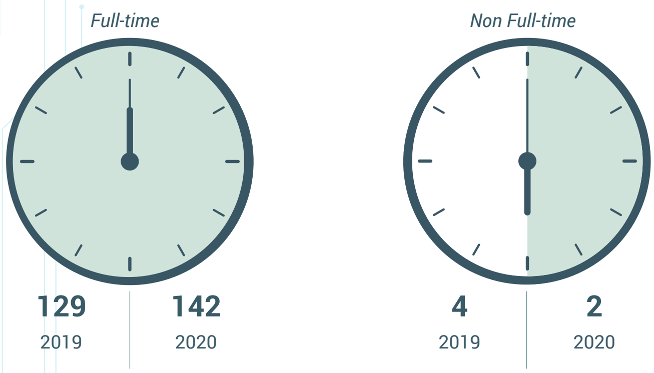
Breakdown by Gender



Break down by Age Group

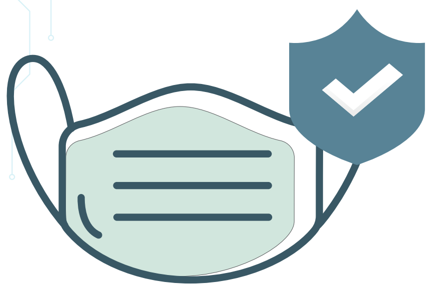


Breakdown by Employment Type



Break down by Employment Category

B2 HEALTH AND SAFETY



Ensuring health and safety of the Group's employees is one of its prime responsibilities.

The Group endeavours to provide a safe and healthy work environment for employees to protect them from work-related accidents or injuries.

During the reporting period, the Group ensures full compliance with relevant occupational health and safety legislations of Hong Kong, Mainland China, and other relevant legislations. The Group has maintained a healthy and safe working environment with no occurrence of work-related fatalities. As the Group is principally engaged in an advertising and business park area management services business and a digital asset and blockchain platform business, the Group believes that the occupational hazards are relatively low.

The outbreak of COVID-19 since January 2020 has posed a significant threat to public health. The Group exercised social responsibility to safeguard its employees against infection and contain the epidemic through a series of measures:

- Adopted flexible working arrangement to allow employees to work from home to enhance social distancing;
- Implemented a COVID-19 protocol for office premises, including supplying surgical masks, conducting temperature checks and self-declaration of travel history, to ensure a healthy and safe working environment for those employees that come to work in the office.

The Group will closely monitor the development of the epidemic and strengthen precautionary measures as necessary.

B3 DEVELOPMENT AND TRAINING

The Group provided employees with training and development opportunities. In the course of daily business, the Group purchased books and other materials related to its business for learning in accordance with the needs of its employees. Sharing and exchanges as well as training and examinations of industry related certifications and other qualifications for regulatory purposes for employees were arranged accordingly.

B4 LABOUR STANDARDS

The Group prohibits the use of child labour and forced or compulsory labour at all its units and suppliers. No employee is made to work against his/her will or work as forced labour, or subject to corporal punishment or coercion of any type related to work.

The Group has zero-tolerance to employment of child labour and forced labour by our suppliers. The Group is not aware of any non-compliance with relevant rules and regulations on preventing child or forced labour.

B5 SUPPLY CHAIN MANAGEMENT

The Group conducted comprehensive inspections of its suppliers in the areas of production and management to ensure they were capable of sustainable development in terms of operation, society and environment.

Regular reviews of existing suppliers were also conducted to ensure they were in compliance with codes of conduct related to anti-corruption, bribery, etc., with all conflicts of interests (including potential conflicts) declared. Products provided by the Group were categorised as services. Only accurate descriptions of services were used in our marketing activities so that customers were able to make informed decisions. Relevant laws and regulations, as well as customer confidentiality obligations, were strictly complied to, and as a result, quality year-round services were provided.

B6 SERVICE RESPONSIBILITIES

The Group has not identified material concerns in its services regarding the health and safety of customers, thus a dedicated policy is not in place. The Group's management measures for confidential information and confidentiality agreements and policies which state that employees have a responsibility to keep confidential information, including customer and company information secure. These policies and procedures also detail related implementation and monitoring methods (such as the procedures and regulations for acceptance of customers and maintenance of customer data). The Group has operations for digital assets and blockchain platform business and has formulated and implemented associated guidelines and procedures to safeguard client assets and data, respect intellectual property rights, and protect the interests of all stakeholders while also meeting statutory responsibility as a Hong Kong listed company. The Group has not received any significant complaints regarding customer data, health or safety concerns.

B7 ANTI-CORRUPTION

The Group is committed to maintaining a high standard of integrity when doing business as it strongly believes that this is essential to meeting the expectations of stakeholders.

The Group promotes integrity and prevents unethical pursuits. The Group has implemented an effective whistle-blowing policy for reporting fraud, corruption, bribery, extortion and money laundering. The Group encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. When suspected wrongdoings are identified, such as breach of duty, abuse of power, or bribery, staff should report to the Board of Directors for investigation and verification, and report to the regulator and/or to law enforcement authority when necessary.

During the year ended 31 December 2020, there are no concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.

B8 COMMUNITY INVESTMENT

The Group encourages staff to take part in community welfare and voluntary work and Group Directors actively maintain communication with non-governmental organisations to understand community needs for the sake of fulfilling its responsibility and giving back to the society.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 19 to the consolidated financial statements on pages 129 to 130 of this annual report. During the Year, the Company and its subsidiaries (the "Group") were principally engaged in digital assets trading, brokerage, technologies and services businesses in Hong Kong and Singapore and advertising business and the provision of business park area management services in Mainland China.

An analysis of the performance of the Group for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDEND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 64 to 65.

The Board does not recommend payment of any dividend for the year ended 31 December 2020 (2019: Nil).

DIVIDEND POLICY

The Company has adopted a Dividend Policy. The declaration and payment of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends or other convents on the Group's financial ratios that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

BUSINESS REVIEW

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the Chief Executive Officer's Statement and the Management Discussion and Analysis of this Annual Report. The review forms part of the Report of the Directors.

Description of the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis of this Annual Report. The review forms part of the Report of the Directors.

Detailed discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Environmental, Social and Governance Report of this Annual Report. The discussions form part of the Report of the Directors.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTION AND SHARE AWARD

Details of movements in the Company's share capital, share award and share option during the Year are set out in Notes 32, 38 and 39, respectively to the consolidated financial statements on page 148, pages 157 to 158 and pages 159 to 161, respectively of this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 33 to the consolidated financial statements and the consolidated statement of changes in equity on page 149 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any distributable reserve computed in accordance with the Companies Law of Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 165 to 166 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

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.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year ended 31 December 2020 and up to the date of this report are:

Executive Directors

Mr. Lo Ken Bon
Mr. Ko Chun Shun, Johnson
Mr. Madden Hugh Douglas
Mr. Chapman David James
Mr. Tiu Ka Chun, Gary

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. Chia Kee Loong, Lawrence
Mr. Tai Benedict

In accordance with article 108 of the Articles of Association, Mr. Lo Ken Bon, Mr. Madden Hugh Douglas and Mr. Chapman David James will retire from office as Directors and being eligible, have offered themselves for re-election as Directors at the annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATIONS OF INDEPENDENCE

The Company has received annual confirmations of independence from all independent non-executive Directors and considers them to be independent. Under the terms of their appointment, the independent non-executive Directors are appointed for a specific term and are subject to retirement by rotation in accordance with the Articles of Association.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, every Director shall be indemnified and held harmless by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has taken out and maintained insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors of the Company. The level of coverage is renewed annually.

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into a service agreement with the Company and is not appointed for a specific term, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

Each independent non-executive Director has entered into a service agreement with the Company for a term of the years subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 35 to the consolidated financial statement, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantive part of the business of the Company were entered into or existed during the year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 25 of this annual report.

EMOLUMENT POLICY

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 to 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 has adopted a share option scheme and a share award scheme as an incentive to Directors and eligible employees and consultants providing similar services, details of the share option scheme and share award scheme are set out in the Report of the Directors on pages 48 to 52 of the annual report.

EQUITY-LINKED AGREEMENTS

Other than the share award scheme and the share option scheme of the Company as set out in Notes 38 and 39 to the consolidated financial statements respectively, there were no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares entered into by the Company during the year ended 31 December 2020 or subsisted as at 31 December 2020.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 10 April 2012. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), Directors, consultants, advisors, distributors, contractors, suppliers, agents, clients, business partners or service providers of the Group.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of passing the resolution to refresh the Share Option Scheme limit at the annual general meeting on 28 June 2019 (i.e. a total of 28,369,941 Shares, representing approximately 8.43% of the issued share capital of the Company as at 31 December 2020). The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme shall not exceed 30% of the then Shares of the Company in issue from time to time.

REPORT OF THE DIRECTORS

The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding options) by any participant under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company. Any further grant of options in excess of this limit must be separately approved by the Company's shareholders in a general meeting with such grantee and his/her close associates abstaining from voting.

Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non- executive Director who is the grantee of the option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HKD5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of our Company, with voting to be taken by way of poll.

An option may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant and subject to the provisions of early termination thereof. The options gave the holder the rights to subscribe for ordinary shares in the Company. An offer for the grant of options must be accepted within seven days after the date of offer and a nominal consideration of HKD1.00 was payable by the grantee upon acceptance of an option. Options were lapsed in three months if the employee leaves the Group.

The Share Option Scheme does not specify a minimum period but the Board may in its absolute discretion set a minimum period for which an option must be held and performance targets must be achieved before an option can be exercised.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares on the date of grant of the option.

The Share Option Scheme became unconditional upon the Listing Date on 27 April 2012 and shall be valid for a period of ten years commencing on 10 April 2012, subject to the early termination provisions contained in the Share Option Scheme.

On 15 January 2020, 12 June 2020 and 13 August 2020, 1,700,000, 21,300,000 and 1,838,500 share options were granted under the Share Option Scheme respectively. During the year ended 31 December 2020, 24,838,500 had been granted, representing about 7.38% of the shares in issue while 290,000 share options had been lapsed and 1,333,778 share options had been exercised, hence 41,318,056 share options were remained outstanding.

Subsequently on 27 January 2021, 3,500,000 share options were granted under the Share Option Scheme. As at the date of this annual report, the total number of share options that can be granted was 31,441 Shares, representing approximately 0.008% of the total issued shares of the Company as at the date of this annual report.

REPORT OF THE DIRECTORS

The following table discloses the movements in the Company's share options held by each of the directors, chief executive or substantial shareholders or their respective associates, and each of the employees and consultants providing similar services of the Company in aggregate granted under the Scheme during the period ended 31 December 2020:

Name or category of grantees	Date of grant of share options	Exercise Price (HKD)	Validity Period	Number of share options: Balance as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Canceled during the period	Balance as at 31 December 2020	Weighted average closing price of shares immediately before the date on which the share options were exercised (HKD)	Closing price of shares before the date of grant (HKD)
(i) **Executive Directors**											
Mr. Ko Chun Shun, Johnson	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	1,000,000	–	–	–	–	1,000,000	–	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	3,200,000	–	–	–	3,200,000	–	7.99
Mr. Lo Ken Bon	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	–	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	3,200,000	–	–	–	3,200,000	–	7.99
Mr. Madden Hugh Douglas	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	–	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	3,200,000	–	–	–	3,200,000	–	7.99
Mr. Chapman David James	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	–	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	3,200,000	–	–	–	3,200,000	–	7.99
Mr. Tiu Ka Chun, Gary	15 January 2020	7.45	15 January 2020 to 21 August 2023 *(Note 1)*	–	300,000	–	–	–	300,000	–	7.45
(ii) **Independent Non-Executive Directors**											
Mr. Chau Shing Yim, David	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	200,000	–	–	–	–	200,000	–	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	300,000	–	–	–	300,000	–	7.99
Mr. Chia Kee Loong, Lawrence	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	200,000	–	(133,333)	–	–	66,667	12.16	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	300,000	–	–	–	300,000	–	7.99
Mr. Tai Benedict	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	200,000	–	(10,000)	–	–	190,000	16.68	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	300,000	–	–	–	300,000	–	7.99
Directors in aggregate				7,600,000	14,000,000	(143,333)	–	–	21,456,667		
(iii) **Associates of Directors**											
Ms. Lau Ka Wing, Claudia *(Note 5)*	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	1,111,111	–	(60,000)	–	–	1,051,111	12.16	8.75
Ms. Ko Wing Yan, Samantha *(Note 6)*	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	300,000	–	–	–	300,000	–	7.99
Associates of Directors in aggregate				1,111,111	300,000	(60,000)	–	–	1,351,111		
(iv) **Employees (non-connected persons)**	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	5,944,446	–	(135,000)	–	–	5,809,446	14.50	8.75
	10 December 2018	7.84	10 December 2018 to 21 August 2023 *(Note 1)*	433,333	–	(166,667)	(100,000)	–	166,666	12.16	7.80
	18 January 2019	7.53	18 January 2019 to 21 August 2023 *(Note 1)*	2,621,111	–	(522,667)	(190,000)	–	1,908,444	12.73	7.50
	15 January 2020	7.45	15 January 2020 to 21 August 2023 *(Note 1)*	–	1,400,000	(155,000)	–	–	1,245,000	16.68	7.45
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 3)*	–	7,000,000	–	–	–	7,000,000	–	7.99
	13 August 2020	10.99	13 August 2020 to 22 August 2025 *(Note 4)*	–	1,838,500	–	–	–	1,838,500	–	10.56
Employees (non-connected persons) in aggregate				8,998,890	10,238,500	(979,334)	(290,000)	–	17,968,056		
(v) **Other consultants**	22 August 2018	8.88	22 August 2018 to 21 August 2023 *(Note 1)*	393,333	–	(151,111)	–	–	242,222	16.68	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 *(Note 2)*	–	300,000	–	–	–	300,000	–	7.99
Others consultants in aggregate				393,333	300,000	(151,111)	–	–	542,222		
Total				**18,103,334**	**24,838,500**	**(1,333,778)**	**(290,000)**	**–**	**41,318,056**		

REPORT OF THE DIRECTORS

Notes:

1. The exercise period is (i) two-thirds of the options granted shall be exercisable on or after 22 August 2020, and (ii) one-third of the options granted shall be exercisable on or after 22 August 2021.

2. The exercise period is one-third of the options granted shall vest on each of 22 August 2021, 22 August 2022 and 22 August 2023.

3. For 6,800,000 options granted to four employees (including a member of senior management), one-third of the options granted shall vest on each of 22 August 2021, 22 August 2022 and 22 August 2023 subject to certain accelerated vesting conditions relating to the market price and the trading volume of the shares. For 200,000 options granted to an employee, (i) two-thirds of the options shall be exercisable on or after 22 August 2021, and (ii) one-third of the options granted shall be exercisable on or after 22 August 2022.

4. The exercise period is one-fifth of the options granted shall vest on each of 22 August 2020, 22 August 2021, 22 August 2022, 22 August 2023 and 22 August 2024.

5. Ms. Lau Ka Wing, Claudia, is an employee of the Group and she is an associate of Mr. Lo Ken Bon, executive Director of the Group.

6. Ms. Ko Wing Yan, Samantha, is a consultant of the Group and she is an associate of Mr. Ko Chun Shun, Johnson, an executive Director of the Group.

The Company has used Black-Scholes model for assessing the fair value of the share options granted. It should be noted that the value of options varies with different variables of certain subjective assumptions, any change in variables or valuation model so adopted may materially affect the fair value estimate. Please refer to Note 39 to the consolidated financial statements for the assumptions adopted in the calculation of the fair value at the grant date.

SHARE AWARD SCHEME

The Company has adopted a new share award plan (the "2018 Share Award Plan") on 21 August 2018.

The purposes of the 2018 Share Award Plan are to recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group, to give incentives to Eligible Participants in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

Tricor Trust (HK) Limited, a company incorporated in Hong Kong and authorized to undertake trust business in accordance with the laws of Hong Kong, was appointed as the trustee (the "Trustee") for the administration of the share award plan. The Trustee will hold the shares on trust for the selected participants. The Trustee and its ultimate beneficial owners are third parties independent of, and not connected with, the Group or its connected persons.

The Group shall pay the Trustee service fee and reimburse its proper expenses incurred in the operation of the trust under the trust deed. The service fees to be paid to the Trustee are determined after considering the service fees to be charged by other independent trustee companies and on arm's length negotiations between the Group and the Trustee.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 5% of the issued share capital of the Company to be refreshed by the Board from time to time subject to the approval of the shareholders in general meeting.

Under the share award plan, the employees and consultants providing similar services of the Group ("Selected Participants") are entitled to receive shares in the Company. New shares have been allotted and issued by the Company to an independent trustee which holds the shares for the benefits of the Selected Participants before the share awards are vested.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

REPORT OF THE DIRECTORS

The 3% Plan Limit ("Refreshed Scheme Limit") was refreshed by the shareholders at the annual general meeting of the Company held on 28 June 2019. The maximum number of shares which can be granted under the Refreshed Scheme Limit shall be 8,510,982 shares, representing 2.53% of the shares in issue.

On 15 January 2020 and 13 August 2020, 3,288,974 and 1,724,500 new shares were allocated and issued to the trustee respectively ("Awarded Shares"). Among 3,288,974 Awarded Shares, two-third of the Awarded Shares have been vested on 4 September 2020 and one-third of the Awarded Shares will be vested on 4 September 2021. In respect to the 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.

The Group recognised an expense of approximately RMB47,558,187 (31 December 2019: RMB25,407,189) for the year ended 31 December 2020 in relation to share award granted by the Company.

At the date of this annual report, the total number of Awarded Shares which can be granted under the Refreshed Scheme Limit was 1,336,648, representing 0.4% of the share in issue.

Details of the movements in the share award of the Company during the year ended 31 December 2020 are set out in Note 38 to the consolidated financial statements.

THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, were as follows:

Long Positions in Shares and Underlying Shares of the Company

	Number of Ordinary Shares Held				Number of underlying shares held				% of the issued share capital
Name of Director	Personal Interest	Family Interest	Corporate Interests	Total	Personal Interests	Family Interests	Total	Grand Total	of the Company*
Mr. Ko Chun Shun, Johnson	–	–	187,536,194 *(Note (i))*	187,536,194	4,200,000 *(Note (iii))*	–	4,200,000	191,736,194	56.96%
Mr. Lo Ken Bon	–	60,000 *(Note (ii))*	–	60,000	5,200,000 *(Note (iii))*	1,051,111 *(Note (iv))*	6,251,111	6,311,111	1.87%
Mr. Madden Hugh Douglas	–	–	–	–	5,200,000 *(Note (iii))*	–	5,200,000	5,200,000	1.54%
Mr. Chapman David James	–	–	–	–	5,200,000 *(Note (iii))*	–	5,200,000	5,200,000	1.54%
Mr. Tiu Ka Chun, Gary	–	–	–	–	300,000 *(Note (iii))*	–	300,000	300,000	0.09%
Mr. Chau Shing Yim, David	–	–	–	–	500,000 *(Note (iii))*	–	500,000	500,000	0.15%
Mr. Chia Kee Loong, Lawrence	133,333	–	–	133,333	366,667 *(Note (iii))*	–	366,667	500,000	0.15%
Mr. Tai Benedict	10,000	–	–	10,000	490,000 *(Note (iii))*	–	490,000	500,000	0.15%

* The percentage has been calculated based on 336,621,033 Shares in issue as at 31 December 2020.

REPORT OF THE DIRECTORS

Notes:

(i) Mr. Ko is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by Virtue of his interests in Colour Day Limited.

(ii) These shares were held by the spouse of Mr. Lo.

(iii) These represent the share options of the Company granted to the respective Directors under the Company's Share Option Scheme, details of which are disclosed in Note 12 to the Consolidated Financial Statements.

(iv) This represents the share options of the Company granted to the spouse of Mr. Lo under the Company's Share Option Scheme.

Save as disclosed above, on 31 December 2020, none of the Directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above and in the share option disclosed in Note 39 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

On 31 December 2020, other than the interests and short positions of the Directors or chief executive of the Company as disclosed in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Number of Ordinary Shares Held			% of the
Name	Direct Beneficially owned	Through controlled Corporation	Total	issued share capital of the Company*
East Harvest Global Limited	187,536,194	–	187,536,194	55.71%
Wise Aloe Limited	–	187,536,194 *(Note (i))*	187,536,194	55.71%
Bell Haven Limited	–	187,536,194 *(Note (ii))*	187,536,194	55.71%
Colour Day Limited	–	187,536,194 *(Note (iii))*	187,536,194	55.71%
Mr. Ko Chun Shun, Johnson	4,200,000 *(Note (v))*	187,536,194 *(Note (iv))*	191,736,194	56.96%
FIL Investment Management (Hong Kong) Limited	17,000,000	–	17,000,000	
FIL Asia Holdings Pte Limited		17,000,000	17,000,000 *(Note (vi))*	5.05%
FIL Limited		17,000,000	17,000,000 *(Note (vii))*	5.05%
Pandanus Partner L.P.		17,000,000	17,000,000 *(Note (viii))*	5.05%
Pandanus Associates Inc.		17,000,000	17,000,000 *(Note (ix))*	5.05%

* The percentage has been calculated based on 336,621,033 Shares in issue as at 31 December 2020.

REPORT OF THE DIRECTORS

Notes:

(i) Wise Aloe Limited is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in East Harvest Global Limited.

(ii) Bell Haven Limited is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in Wise Aloe Limited. Bell Haven Limited is held as to 30.82% by Mr. Lo Ken Bon, and 22.09% by each of Mr. Madden Hugh Douglas and Mr. Chapman David James.

(iii) Colour Day Limited is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in East Harvest Global Limited.

(iv) Mr. Ko is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in Colour Day Limited.

(v) This represents the share options of the Company granted to Mr. Ko under the Company's Share Option Scheme details of which are disclosed in Note 12 to the consolidated financial statements.

(vi) FIL Asia Holdings Pte Limited is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in FIL Investment Management (Hong Kong) Limited.

(vii) FIL Limited is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in FIL Asia Holdings Pte Limited.

(viii) Pandanus Partner L.P. is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in FIL Limited.

(ix) Pandanus Associates Inc. is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in Pandanus Partner L.P.

Save as disclosed above, at 31 December 2020, no other person (other than the Directors or chief executive of the Company whose interests are set out in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CLIENTS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major clients and suppliers were as follows:

(1) The aggregate amount of revenue and income attributable to the Group's five largest clients represented approximately 48.8% of the Group's total revenue and income. The amount of revenue and income from the Group's largest client represented approximately 17.8% of the Group's total revenue and income.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 80.4% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 40.4% of the Group's total purchases.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and/or five largest suppliers.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the year ended 31 December 2020 are set out in Note 35 to the consolidated financial statements on pages 150 to 152 of this annual report.

Provision of Digital Asset Trade Facilitation Services

The Group has balances due to the related parties totaling approximately RMB278.1 million (the "Balances") as at 31 December 2020 in respect of the provision of digital asset trade facilitation services (the "Facilitation Services") by the Group.

The Balances represent fiat currencies and digital assets placed by the related parties with the Group as at 31 December 2020 and do not constitute transactions under the Facilitation Services.

The Facilitation Services with the related parties during the year ended 31 December 2020 are fully exempt from the connected transaction requirements under Rule 14A.97 and 14A.76 of the Listing Rules.

Borrowing and interest payable to the Related Parties

The Group entered into loan agreements with the related parties during the year ended 31 December 2020. The interest expenses incurred, borrowing and interest payable to the related parties are fully exempt from the connected transaction requirements under Rule 14A.90 of the Listing Rules.

Key management Compensation

The remuneration for key management personnel (including amounts paid to directors of the Company) is fully exempt from the connected transaction requirements under Rule 14A.95 of the Listing Rules.

Save as the aforesaid, the Directors consider that all other related party transactions disclosed in Note 35 to the consolidated financial statements did not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under Chapter 14A of the Listing Rules. The Company is therefore not required to comply with the disclosure requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company committed to maintain a high standard of corporate governance practices. Information on the corporate governance practice of the Company is set out in the Corporate Governance Report of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group was unaware of any non-compliance with relevant laws and regulations during the year ended 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

EVENTS AFTER THE FINANCIAL POSITION DATE

The events after the financial position date are disclosed in the section headed "Management Discussion & Analysis" on page 22 of this annual report.

AUDIT COMMITTEE

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2020.

AUDITOR

PricewaterhouseCoopers ("PwC") was appointed as the auditor of the Company in place of BDO Limited on 28 December 2018 and to hold office until the conclusion of next annual general meeting.

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by PwC who will retire at the forthcoming annual general meeting of the Company. A resolution for reappointment of PwC will be proposed for Shareholders' approval at the forthcoming annual general meeting.

On Behalf of the Board
BC Technology Group Limited
Madden Hugh Douglas
Chief Executive Officer

Hong Kong, 29 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BC Technology Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of BC Technology Group Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 64 to 164, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Accounting of digital asset transactions and balances with respect to the trading of digital assets and provision of technology solutions
- Impairment assessment of trade receivables and contract assets with respect to the advertising business

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting of digital asset transactions and balances with respect to the trading of digital assets and provision of technology solutions Refer to Notes 2.13, 2.24, 2.25, 3.5, 4, 7, 20 and 28 to the consolidated financial statements. The Group's digital assets and blockchain platform business includes primarily over-the-counter ("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 ("BC Platforms"). In addition, it also includes licensing of its proprietary platforms and technology solutions as a "Software as a Service" to certain third parties ("White label customers"). Digital assets that the Group deals with are cryptographically secured assets for which encryption techniques are used to regulate the generation of units of currency. Supply and demand determine the value of digital assets which can be extremely volatile in this emerging industry.	Our procedures on the Group's digital asset transactions and balances mainly included: • Understood, evaluated and tested the key controls, including automated and manual controls, and segregation of duties in the execution of these controls, in the following areas: — information technology general controls, over the accounting system and key operating systems and applications that are considered relevant to the financial statement reporting process; — onboarding of counterparties, liquidity providers and White label customers; — wallet generation, management and security (including private keys and recovery seeds), including physical and logical access controls testing; — recording of prefunding, withdrawal, trading and settlement transactions with counterparties and liquidity providers and for White label customers in the relevant platforms;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Technical complexity Digital assets are exchangeable directly between two parties, anywhere in the world, through decentralised networks that carry anonymous transactions. The anonymity of transactions creates complex technical challenges. For example, identifying parties involved in a digital asset transaction and determining whether access to a private key demonstrates ownership to the digital assets held in the associated public address on a blockchain. To address the challenges, the Group implemented internal controls over different business processes including, but not limited to, controls over the onboarding of customers (such as know-your-client and anti-money laundering checks) and wallet generation, management and security (including all its public addresses and private keys). The Group's digital assets trading and blockchain platform business involves large volumes of daily transactions to exploit natural arbitrage opportunities from its trading on OTC and BC Platforms and to earn service fees from Software as a Service arrangements. The Group develops and maintains its own proprietary information systems and implements different processes and internal controls to record transactions of the Group with its customers (or "counterparties") and liquidity providers (i.e. other OTC operators and exchanges), as well as transactions of the White label customers, and to reconcile the relevant transactions with external data such as bank statements, blockchain data and third party exchange account statements.	— reconciliations of digital asset transactions and balances between trade records on internal operating and accounting systems with other external sources of data. • Understood and evaluated the accounting policies adopted by management for its digital assets and blockchain platform business based on the contractual and business arrangements with respective counterparties, liquidity providers and White label customers. • Performed substantive tests of details, on a sample basis, including the following: — checked digital asset trade transactions to the underlying trade orders and confirmations sent to the counterparties and liquidity providers and the relevant settlement evidence; — circularised independent audit confirmations to counterparties, liquidity providers and White label customers to confirm transactions for the year and account balances at the year end; — substantively tested the Group's access to the digital assets held in their wallets by verifying that the Group was able to cryptographically sign randomly generated messages using the private keys of their wallets on the year end date, supplemented by post year end testing as necessary;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting complexity IFRSs do not specifically address accounting for digital assets. Accordingly, for the preparation of the Group's consolidated financial statements, management needs to apply judgements in determining appropriate accounting policies based on the existing accounting framework and the facts and circumstances of the Group's digital assets and blockchain platform business. Given the business model of the Group, digital assets are accounted for as inventories and are measured at fair value less costs to sell on the statement of financial position. On the other hand, contracts for trading of digital assets with the Group's counterparties and liquidity providers through its OTC and BC Platforms are accounted for as financial instruments and measured at fair value through profit or loss as these contracts can, in practice, be settled net in cash; whereas service fees from Software as a Service arrangements which are determined based on the transaction volume of the platforms licensed to the White label customers are recognised over time when the platform technology and related services are provided. Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. During the year ended 31 December 2020, the Group recognised income from trading of digital assets of RMB132,467,541 and licensing of trading platform and technology solutions of RMB4,398,819 respectively, and had digital asset inventories of RMB2,621,622,445 as at 31 December 2020. Due to the complexity and evolving nature of blockchains and technology associated with digital assets, the high reliance of the Group's business thereon, and the management judgements applied in accounting for the digital asset transactions and balances described above (which are material to the Group's consolidated financial statements), we considered the risk of material misstatement relating to these transactions and balances as significant and hence a key focus of our audit.	— tested management's reconciliations of wallet balances as at year end between the operating system, accounting system, and publicly sourced data on the blockchains. This included reconciling the wallet balances and transactions from the Group's books and records to data independently acquired by us; and — reviewed the appropriateness of management's assessment and determination of principal market for each of the relevant digital assets. Tested the fair value of digital asset inventories, including those held on customer accounts, adopted by management to external data quoted in the principal exchange market. Based on the procedures performed, we found the digital asset transactions and balances related to the trading of digital assets and provision of technology solutions recorded by management are supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and contract assets with respect to the advertising business Refer to Notes 2.11(d), 2.25, 3.3(b), 4(b), 6(b) and 21 to the consolidated financial statements. As at 31 December 2020, the Group had gross trade receivables and contract assets of RMB11,424,831 and RMB1,881,911, against which allowance for impairment of RMB1,168,524 and RMB96,760 were recorded respectively. These are related to the traditional advertising services in the People's Republic of China (the "PRC"). For 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. Management applied judgement and estimates to measure the expected credit losses allowance. The trade receivables and contract assets were grouped based on similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the credit profile of different customers, ageing of the trade receivables, historical settlement records and expected timing and amount of realization of outstanding balance. Management also considered forward-looking information in the macroeconomic environment that may affect the ability of the customers to repay. We focused on this area in view of the magnitude of the trade receivables and contract assets to the consolidated financial statements and the determination of the related expected credit losses allowance involved the use of judgement and assumptions which are subject to a high level of estimation uncertainty as described above.	Our procedures in relation to management's assessment on the allowance for impairment of trade receivables and contract assets included: • Understood, evaluated and validated the internal control over the Group's process in estimating the expected credit loss to determine the loss allowance for trade receivables and contract assets and evaluated the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Evaluated the outcome of prior period impairment assessment of trade receivables and contract assets to assess the effectiveness of management's estimation process; • Assessed the appropriateness of the expected credit loss methodology and assumptions adopted by management with reference to the customers' credit profile, historical settlement records, ageing analysis and default rates; • Tested the accuracy of key historical data inputs, on a sample basis; and • Evaluated reasonableness of the forward-looking information including relevant macroeconomic variables to external market data and assessed the sensitivity. Based on the results of the procedures performed, we found management's judgement and estimation applied in respect of the impairment of trade receivables and contract assets with respect to the advertising business were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Corporate Information, Management Discussion and Analysis, and Report of the Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chief Executive Officer's Statement, Biographical Details of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and Five Year Financial Summary, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chief Executive Officer's Statement, Biographical Details of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and Five Year Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Ching.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Continuing operations			
Income from principal activities:			
— Income from digital assets and blockchain platform business	*7*	**151,142,665**	71,648,388
— Revenue from advertising business	*6*	**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	*10*	**(41,978,412)**	(68,602,787)
Other income	*8*	**5,736,476**	1,974,549
Other (losses)/gains, net	*8*	**(5,644,096)**	2,715,619
Selling and distribution expenses	*10*	**(106,440,569)**	(16,099,519)
Administrative and other operating expenses	*10*	**(294,745,364)**	(277,267,367)
Reversal of provision/(provision) for impairment losses on financial assets and contract assets, net	*10*	**2,166,573**	(13,971,737)
Operating loss		**(224,404,093)**	(206,562,797)
Finance income	*9*	**9,195,553**	22,370,326
Finance costs	*9*	**(43,770,099)**	(62,463,116)
Finance costs, net	*9*	**(34,574,546)**	(40,092,790)
Loss before income tax		**(258,978,639)**	(246,655,587)
Income tax (expense)/credit	*13*	**(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)	*14*	**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)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
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	14	**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)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (RMB per share)	16	**(0.80)**	(0.92)
Diluted (RMB per share)	16	**(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)	16	**(0.79)**	(0.92)
Diluted (RMB per share)	16	**(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)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
ASSETS			
Non-current assets			
Property, plant and equipment	17	**157,569,627**	205,361,704
Intangible assets	18	**44,340,574**	50,878,423
Prepayments, deposits and other receivables	22	**17,383,720**	122,313,540
Inventories due from counterparties	23	**–**	17,401,244
Deferred income tax assets	31	**3,718,149**	3,288,202
Total non-current assets		**223,012,070**	399,243,113
Current assets			
Inventories	20	**2,621,622,445**	446,561,751
Contract assets	6(b)	**5,508,444**	28,370,842
Trade and bills receivables	21	**17,428,097**	34,108,709
Prepayments, deposits and other receivables	22	**160,215,693**	34,944,349
Inventories due from counterparties	23	**32,116,296**	6,960,714
Cash and cash equivalents	24	**348,904,373**	191,852,375
		3,185,795,348	742,798,740
Assets directly associated with assets classified as held for sale	14	**–**	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	26(a)	**13,982,654**	13,448,181
Collateral payables	26(b)	**–**	22,698,517
Lease liabilities	27	**128,092,688**	166,735,799
Borrowings	29	**67,041,916**	262,898,149
Financial liabilities at fair value through profit or loss	30	**–**	6,054,129
Deferred income tax liabilities	31	**7,580,477**	9,503,404
Total non-current liabilities		**216,697,735**	481,338,179

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
LIABILITIES			
Current liabilities			
Trade payables	*25*	**43,436,368**	41,243,692
Collateral payables	*26(b)*	**151,513,578**	9,207,785
Accruals and other payables	*26(a)*	**42,357,682**	51,288,746
Contract liabilities	*6(b)*	**6,236,634**	2,556,873
Liabilities due to customers	*28*	**2,363,875,276**	496,189,194
Lease liabilities	*27*	**32,159,871**	29,808,175
Financial liability at fair value through profit or loss	*30*	**–**	13,524,247
Borrowings	*29*	**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	*14*	**–**	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	*32*	**2,793,627**	2,325,726
Other reserves	*33*	**850,225,674**	390,221,762
Accumulated losses		**(710,364,726)**	(461,802,447)
		142,654,575	(69,254,959)
Non-controlling interests	*19*	**(7,318,216)**	2,971,178
Total equity/(deficit)		**135,336,359**	(66,283,781)

The consolidated financial statements on pages 64 to 164 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf.

Madden Hugh Douglas
Director

Lo Ken Bon
Director

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Attributable to owners of the Company									
	Notes	Share capital RMB	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Share-based payments reserve RMB	Accumulated losses RMB	Sub-total RMB	Non-controlling interests RMB	Total (deficit)/ equity RMB
At 1 January 2019		2,123,981	212,786,990	3,278,827	(3,088,619)	15,238,857	18,022,465	(218,222,000)	30,140,501	4,486,790	34,627,291
Loss for the year		–	–	–	–	–	–	(243,580,447)	(243,580,447)	(1,541,862)	(245,122,309)
Other comprehensive (loss)/income:											
Currency translation differences		–	–	–	(4,436,632)	–	–	–	(4,436,632)	26,250	(4,410,382)
Total comprehensive loss		–	–	–	(4,436,632)	–	–	(243,580,447)	(248,017,079)	(1,515,612)	(249,532,691)
Issuance of new shares	32	201,745	100,670,711	–	–	–	–	–	100,872,456	–	100,872,456
Share awards vested		–	492,330	–	–	–	(492,330)	–	–	–	–
Equity-settled share-based payments under share option scheme	39	–	–	–	–	–	22,341,974	–	22,341,974	–	22,341,974
Equity-settled share-based payments under share award scheme	38	–	–	–	–	–	25,407,189	–	25,407,189	–	25,407,189
At 31 December 2019		2,325,726	313,950,031	3,278,827	(7,525,251)	15,238,857	65,279,298	(461,802,447)	(69,254,959)	2,971,178	(66,283,781)

		Attributable to owners of the Company										
	Notes	Share capital RMB	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Share-based payments reserve RMB	Convertible note reserve RMB	Accumulated losses RMB	Sub-total RMB	Non-controlling interests RMB	Total equity/ (deficit) RMB
At 1 January 2020		2,325,726	313,950,031	3,278,827	(7,525,251)	15,238,857	65,279,298	–	(461,802,447)	(69,254,959)	2,971,178	(66,283,781)
Loss for the year		–	–	–	–	–	–	–	(247,842,311)	(247,842,311)	(11,067,885)	(258,910,196)
Other comprehensive income:												
Currency translation differences		–	–	–	758,192	–	–	–	–	758,192	778,491	1,536,683
Total comprehensive income/(loss)		–	–	–	758,192	–	–	–	(247,842,311)	(247,084,119)	(10,289,394)	(257,373,513)
Issuance of new shares	32	442,528	258,706,612	–	–	–	–	–	–	259,149,140	–	259,149,140
Issuance of a convertible note	30(a)	–	–	–	–	–	–	494,901	–	494,901	–	494,901
Issuance of new shares upon conversion of a convertible note	32	13,827	13,738,180	–	–	–	–	(494,901)	–	13,257,106	–	13,257,106
Equity-settled share-based payments under share option scheme	39	–	–	–	–	–	37,323,148	–	–	37,323,148	–	37,323,148
Equity-settled share-based payments under share award scheme	38	–	–	–	–	–	47,558,187	–	–	47,558,187	–	47,558,187
Exercise of share options	32	11,546	14,552,554	–	–	–	(5,263,378)	–	–	9,300,722	–	9,300,722
Share awards vested	38	–	58,378,971	–	–	–	(58,378,971)	–	–	–	–	–
Equity-settled share-based payments for a warrant	10	–	–	–	–	–	91,910,449	–	–	91,910,449	–	91,910,449
Transfer from retained earnings to statutory reserve		–	–	–	–	719,968	–	–	(719,968)	–	–	–
At 31 December 2020		2,793,627	659,326,348	3,278,827	(6,767,059)	15,958,825	178,428,733	–	(710,364,726)	142,654,575	(7,318,216)	135,336,359

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Cash flows from operating activities			
Cash used in operations	*36(a)*	**(34,277,088)**	(195,149,405)
Income tax paid		**(1,230,535)**	(1,320,947)
Net cash used in operating activities		**(35,507,623)**	(196,470,352)
Cash flows from investing activities			
Interest received		**595,579**	476,002
Proceeds from disposal of property, plant and equipment	*36(c)*	**142,801**	101,499
Disposal of subsidiaries, net of cash disposed	*14*	**(121,139)**	–
Addition of property, plant and equipment		**(2,865,864)**	(15,573,613)
Addition of intangible assets		**(4,996,912)**	(10,362,944)
Net cash used in investing activities		**(7,245,535)**	(25,359,056)
Cash flows from financing activities			
Interest paid		**(32,712,016)**	(34,952,462)
Proceeds from borrowings	*36(b)*	**186,543,931**	462,478,306
Repayment of borrowings	*36(b)*	**(174,644,838)**	(285,340,183)
Principal element of lease liabilities	*36(b)*	**(28,849,176)**	(32,026,624)
Proceeds from issuance of new shares	*32(a)*	**252,044,962**	12,799,062
Proceeds from exercise of share options		**9,300,722**	–
Net cash generated from financing activities		**211,683,585**	122,958,099
Net increase/(decrease) in cash and cash equivalents		**168,930,427**	(98,871,309)
Cash and cash equivalents at the beginning of the year		**191,974,026**	294,838,046
Effects of exchange rate changes on cash and cash equivalents		**(12,000,080)**	(3,992,711)
Cash and cash equivalents at the end of the year		**348,904,373**	191,974,026
Analysis of the balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of cash flows		**348,904,373**	191,974,026
Less: Cash and bank balances included in the assets classified as held for sale	*14*	**–**	(121,651)
Cash and cash equivalents as stated in the consolidated statement of financial position	*24*	**348,904,373**	191,852,375

The above consolidated statement of cash flows should be read in conjunction with accompanying notes.

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

This note provides a list of the significant accounting policies adopted in the preparation of these 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.

Certain comparative amounts have been reclassified to conform with current year presentation.

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 borrowed from 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(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 HK$657,998,000 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker 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.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Hong Kong Dollars ("HK$").

The consolidated financial statements are presented in RMB consistently over the years, as most of the Group's operations have been principally based in the PRC historically and such operations continue to be material to the Group's financial results and position in the current reporting period despite the Group's operations in Hong Kong has been growing over the past years. Therefore, the Directors consider that the consistent use of RMB as the Group's and the Company's presentation currency in the consolidated financial statements remained appropriate in the current reporting period.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other (losses)/gains, net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives at the following rates per annum:

Office furniture and equipment	20–33% per annum
Motor vehicles	10–25% per annum
Leasehold improvement	over the lease terms
Right-of-use assets	over the lease terms

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than it's estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Acquired intangible assets

Separately acquired intangible assets are initially recognised at cost. Intangible assets acquired in a business combination is recognised at fair value at the acquisition date. Subsequently, intangible assets with finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense charged to profit or loss and included in cost of revenue in relation to advertising and business park area management service.

(c) Internally developed software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(d) Research and development

Research expenditure and development expenditure that do not meet the criteria in (c) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(e) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software and domain	3–5 years
Acquired leases with favourable terms	over the lease term

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of or abandon such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately as a single line item in the consolidated statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets and liabilities

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into amortised cost category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other (losses)/gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.3(b), note 6(b) and note 21 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets and liabilities *(Continued)*

Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

For liabilities measured at fair value, gains and losses will be recorded in profit or loss.

At initial recognition, the Group shall measure a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Subsequently, all financial liabilities will be measured at amortised cost, except for financial liabilities at fair value through profit or loss, including derivatives, which shall be subsequently measured at fair value.

In addition, the Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss. As at 31 December 2019, the convertible note held by the Group was designated as the financial liability at fair value through profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Digital asset inventories

Digital asset inventories are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the over-the-counter ("OTC") market, the provision of automated digital assets trading services through its proprietary platforms and the provision of technology solutions to certain third parties.

Digital asset inventories held in the Group's digital asset wallets primarily comprise digital assets that are prefunded by and traded with, but not yet withdrawn by counterparties (or "customers") under Digital Asset Trading Agreements ("DATA"). They also include the Group's proprietary digital assets sourced from liquidity providers and third party exchanges, as well as digital assets held in the Group's wallets on customer accounts to whom the Group provides services in relation to its proprietary platforms and technology solutions.

Based on the respective rights and obligations of the Group and its customers under various agreements, digital assets still held by the Group in designated customer accounts are recorded as assets of the Group (see below for the measurement) with a corresponding liability due to the customer recorded (under "liabilities due to customers" measured at fair value through profit or loss in current liabilities). Upon a customer's request to withdraw digital assets, the Group transfers the digital assets from its own wallets to the customer's wallet and the related inventory and liability due to the customer are derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Digital asset inventories *(Continued)*

Furthermore, the Group received digital assets collateral under its digital asset financing arrangements with counterparties. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as inventories of the Group (see below for the measurement) with a corresponding liability due to the counterparties recorded (under "collateral payable" measured at fair value through profit or loss in non-current or current liabilities). The collateral will be returned to the counterparties upon their settlement of the loans at respective maturity dates. It is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Digital assets borrowed from counterparties are recorded as inventories of the Group (see below for the measurement) which can be used in the Group's ordinary business, with a corresponding liability recorded due to the counterparties (under "borrowings" measured at fair value through profit or loss in non-current or current liabilities). Upon maturity of the financing arrangements, the Group transfers the digital assets from its own wallets to the counterparty's wallet and the related inventory and liability due to the counterparty is derecognised. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Since the Group actively trades digital assets, purchasing them with a view to their resale in the near future, and generating a profit from fluctuations in the price, the Group applies the guidance in IAS 2 for commodity broker-traders and measures the digital asset inventories at fair value less costs to sell. The Group considers there are no significant "costs to sell" digital assets and hence measurement of digital assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

See Note 3.5 for estimation of fair value in respect of the digital asset inventories and digital asset liabilities due to customers.

2.14 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative contracts are held for trading and do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and included in "income from digital assets and blockchain platform business". Trading derivatives are classified as a current asset or liability.

2.15 Trade and bills receivables

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and bills receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade and bills receivables and Note 3.3(b) for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings

Borrowings comprise financing arrangements denominated in fiat currency and digital assets.

Fiat currency loans are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the fiat currency loans using the effective interest method.

Digital assets borrowed from counterparties are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value, which align with the fact that digital asset inventories are non-financial assets measured at fair value less costs to sell.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings (both fiat currency and digital asset borrowings) are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Post-employment obligations

The Group operates defined contribution pension plans. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

(c) Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government based on the relevant laws and regulations. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for the benefits for their qualified employees under these plans.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised upon the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.22 Share-based payments

The Company operates a number of share-based payment schemes (in the form of share awards, share options and warrant shares) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under such schemes, employees (including directors), consultants providing similar services with employee and services providers of the Group may receive equity instruments as remuneration for their services rendered ("equity-settled transactions").

Share options

The fair value of the share options granted to employees and consultants providing similar services in exchange for the grant of the options is recognised as an expense with a corresponding increase in share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the share options granted:

— including any market performance conditions (e.g. the Company's share price),

— excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share awards

Under the share award scheme, shares issued by the trustee (see Note 38 for more details) to employees and consultants providing similar services for no cash consideration either vest immediately on grant date or over a vesting period depending on the conditions of each of the relevant grant.

When share awards are vested immediately, on that date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity in the share-based payment reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Share-based payments *(Continued)*

Share awards *(Continued)*

The fair value of deferred shares granted to employees and consultants providing similar services for nil consideration is recognised as an expense over the relevant service period, being the year to which the award relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

Share-based payments to non-employees

Equity-settled share-based payments to parties other than employees and consultants providing similar services is recognised as an expense with a corresponding increase in share-based payment reserve when the Group obtains the goods or as the services are received.

For equity-settled share-based payments to parties other than employees and consultants providing similar services to the Group, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value shall be measured at the date the Group obtains the goods or the counterparty renders service. If the Group rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the Group shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the services.

When transactions measured by reference to the fair value of the equity instruments granted, the Group shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted.

For non-market vesting conditions, the Group shall recognise amounts for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the Group shall revise the estimate to equal the number of equity instruments that ultimately vested.

Separate financial statements

The grant by the Company of its equity instruments to the employee, consultants providing similar services and other non-employee services of subsidiary undertakings in the Group is treated as an amount due from the subsidiary undertakings, with a corresponding credit to equity in the Company's separate financial statements, measured with reference to the recognition of respective share-based payment expenses as described above.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Contracts for trading of digital assets

In the ordinary course of the Group's digital assets trading business which 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, the Group enters into a DATA with each of the customers for buying and selling of digital assets. As the DATA can, in practice, be settled net in cash, the Group accounts for the contracts as financial instruments and designates them as measured at fair value through profit or loss.

Although DATA is a financial instrument, it is nevertheless also a contract with customers, which may result in physical delivery of digital assets to customers. On the date of physical delivery, gross proceeds from these contracts give rise to revenue under IFRS 15 with the related inventory, measured at fair value less cost to sell basis, being recognised as cost of revenue. However, the Group has made an accounting policy decision to account for the contracts purely within IFRS 9 and views the delivery of digital assets to customers as settlement of financial instruments. Consequently, the Group does not present "revenue from contracts with customers" or related cost of revenue. Should the Group elect to present these separately, the gross amounts of revenue from contracts with customers or related cost of revenue would be of the same amount given both the DATA and the digital asset inventories are measured on a fair value basis.

Accordingly, the Group presents trading income from digital assets trading business that primarily represent trading margin arising from trading various digital assets and net gain or loss from remeasurement of digital asset inventories to the extent it is not offset by remeasurement of digital asset liabilities due to customers arising from DATA.

The Group is exposed to net trading gains or losses from holding digital assets for trading up to the point when a trade (to buy or sell digital assets) with customer is concluded with fixed terms of trade with respect to the type, unit and price of digital assets.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenues are recognised when goods are transferred or services are rendered to the customer.

Depending on the terms of the contract and the laws that apply to the contract, service may be provided over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- time-based measure of progress; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

When determining the transaction price to be allocated from different performance obligations, the Group first determines the service fees that the Group entitles in the contract period and adjusts the transaction price for variable considerations and significant financing component, if any. The Group includes in the transaction price some of all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

If contracts involve the provision of multiple services, the transaction price will be allocated from each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A contract asset is the Group's right to consideration in exchange for the services that the Group has transferred to a customer. In addition, incremental costs incurred to obtain a new contract, if recoverable, are capitalised as contract cost and subsequently amortised when the related revenue is recognised.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pays consideration but before the Group renders the service to the customer. Contract liabilities mainly included the advance payments received from the provision of initial set up and customisation services for the customers using the Group's proprietary digital assets exchange platform.

The following is a description of the accounting policy for the principal revenue streams of the Group.

Revenue from advertising business

Revenue from advertising, public relations and event marketing services from online services is recognised over the period of contracts entered with the customers.

Service fee from SaaS

The Group licenses its proprietary digital asset exchange platform and related technology solutions as Software-as-a-Service ("SaaS") to certain third parties ("White label customers"). Under the SaaS arrangements, White label customers operate their own exchange platform to facilitate trades among the end users of the platform. Service fees derived by the Group from the SaaS arrangements are determined based on the transaction volume of the platforms licensed by the White label customers and are recognised over the service period.

Income from digital asset financing arrangements

Interest income derived from digital asset financing arrangements is denominated in units of the relevant digital asset on lending to the counterparties and is recognised based on its fair value over the term of the arrangement using effective interest rate. It is recorded as "interest income from inventories financing" in the consolidated statement of profit or loss and other comprehensive income.

Income from custodian services

The Group provides secured storage of digital assets service to certain third parties. Under this type of arrangement, the Group holds digital assets deposited by the third parties in the Group's own wallets. Custodian fees are calculated and accrued on a monthly basis and are recognised over time as services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 9 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Leases

The Group as lessee

(a) Lease assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determine that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Lease payments are allocated between the principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight- line basis.

Assets leased by the Group and the corresponding liabilities are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payments that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

(a) Lease assets (Continued)

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability;

— any lease payments made at or before the commencement date, less any lease incentive received;

— any initial direct costs; and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

(b) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(c) Residual value guarantees

To optimise lease costs during the contract period, the Group may provide residual value guarantees in relation to property and equipment leases.

The Group as lessor

Rental income from business park area management service

Rental income from acquired lease with favorable terms is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an acquired lease with favorable terms are added to the carrying amount of the leased asset and recognised as expense on the straight-line basis over the lease term.

The respective lease assets are included in the consolidated statement of financial position based on their nature.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 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.

3.1 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.

3.2 Risk management of the digital assets 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 Limited ("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 Payment Services Act 2019 ("PSA") went into effect on 28 January 2020. Under the PSA, some of the digital asset trading businesses conducted by the Group in Singapore may become licensed and regulated by the Monetary Authority of Singapore ("MAS"). Accordingly, a Singapore based wholly owned subsidiary of the Group has submitted a notification to the MAS that it is providing digital payment token services in Singapore and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(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 decentralized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk, price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive directors of the Group. The executive directors identify and evaluate financial risks in close cooperation with the operating units of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC, Hong Kong and Singapore. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the individual group companies and net investments in foreign operations.

As at 31 December 2020 and 2019, most of the financial assets and liabilities of the Group's subsidiaries are denominated in their respective functional currencies.

There are certain USD and HK$ financial assets and liabilities held by the Group with HK$ and USD functional currency respectively. Since HK$ are pegged to the United States dollar ("USD"), management considers the foreign exchange risk of USD financial assets and liabilities to the Group is not significant. Hence, the Directors consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. In the opinion of the Directors, the expected change in fair values as a result of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's assets and liabilities, which bear variable interest rates mainly, include bank deposits. Management manages the interest rate risk exposure through regular review to determine the funding strategy as appropriate to its current business profile.

At 31 December 2020, if interest rates had been 100 (2019: 100) basis points higher/lower with all other variables held constant, the loss before income tax would have been RMB97,569 lower/higher (2019: RMB66,764 lower/higher), mainly as a result of higher/lower interest income on floating rate short term bank deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

***Financial risk factors** (Continued)*

(b) Credit risk

Our Group's credit risk is primarily attributable to trade and bills receivables, contract assets, deposits and other receivables, and cash and cash equivalents included in the consolidated statement of financial position, which represent our Group's maximum exposure to credit risk in relation to its financial assets. Our management has credit policies in place to monitor the exposures to these credit risks on an ongoing basis.

Trade and bills receivables and contract assets

For trade and bills receivables and contract assets, the Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables and contract assets from third parties and related parties.

Trade and bills receivables and contract assets are mainly related to the traditional advertising services and business park management services in the PRC. There are also some balances related to digital assets and blockchain platform business in Hong Kong and Singapore.

(i) Trade receivables and contract assets (traditional advertising services)

To measure the expected credit losses, trade receivables and contract assets were grouped based on similar credit risk characteristics and collectively assessed for likelihood for recovery. The contract assets, which relate to unbilled work in progress, have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables related to traditional advertising services are a reasonable approximation of the expected loss rates for the contract assets related to traditional advertising services.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables and contract assets related to traditional advertising services.

At 31 December 2020	**Current–30 days past due**	**31–60 days past due**	**61–90 days past due**	**91–365 days past due**	**More than 365 days past due**	**Total**
Gross carrying amount (RMB)	**6,911,087**	**6,000,000**	**–**	**–**	**395,655**	**13,306,742**
Loss allowance (RMB)	**486,257**	**569,906**	**–**	**–**	**209,121**	**1,265,284**
Expected loss rate	**5.14%-9.50%**	**9.50%**	**–**	**–**	**52.85%**	**9.51%**

At 31 December 2019	Current–30 days past due	31–60 days past due	61–90 days past due	91–365 days past due	More than 365 days past due	Total
Gross carrying amount (RMB)	8,868,843	8,133,938	7,004,843	15,116,791	7,187,234	46,311,649
Loss allowance (RMB)	528,910	533,813	501,302	1,351,849	3,744,767	6,660,641
Expected loss rate	5.96%	6.56%	7.16%	8.94%	52.10%	14.38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Trade and bills receivables and contract assets *(Continued)*

(ii) Trade receivables (business park area management services)

For business park area management services, the Group generally requires customers to prepay for the services. For any outstanding amounts due from these customers, management makes individual assessment on recoverability of the receivables from tenants based on historical settlement records, and expected timing and amount of realisation of outstanding balance. As at 31 December 2020, the receivables of RMB4,944,147 (2019: RMB4,944,147) from certain tenants were no longer considered collectible and the Group ceased business relationship with them. Therefore, the receivables from those tenants were fully impaired in prior years, and there was no remaining receivable balance as at 31 December 2020 (2019: same).

(iii) Trade receivables and contract assets (digital assets and blockchain platform business)

For the digital assets and blockchain platform business, majority of the counterparties are required to prefund their accounts prior to the trades. Trades with liquidity providers and certain counterparties that are considered creditworthy can be on credit. Management makes individual assessment on recoverability of the trade receivables and contract assets from these liquidity providers and counterparties based on their credit profile, historical settlement records, past experience as well as forward looking factors. During the year ended 31 December 2020, the SaaS arrangement with certain White label customers had been terminated. The related trade receivables and contract assets amounted to USD122,370 (equivalent to RMB843,056) (2019: Nil) and USD295,647 (equivalent to RMB1,933,865) (2019: Nil) as at 31 December 2020 had been fully impaired and written off as the Directors believed that these balances were irrecoverable. The Directors believed that there was no material credit risk in the remaining trade receivables and contract assets balances as at 31 December 2020 and the expected credit loss is close to zero (2019: same).

(iv) Bills receivables (traditional advertising services)

As at 31 December 2020, there was no outstanding bill receivables. For bills receivables from customers of traditional advertising business as at 31 December 2019, bills receivables were issued by counterparties at reputable banks and the credit risk was considered to be low. Those counterparties did not have defaults in the past. Therefore, expected credit loss rate was assessed to be close to zero and no provision was made at the end of the reporting period.

Trade and bills receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments when the debts are long past due.

Impairment losses on trade and bills receivables and contract assets are presented as net impairment losses in the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents

To manage the risk arising from cash and cash equivalents, the Group transacts with reputable financial institutions, which are high credit-quality banks or other financial institutions where certain level of deposits are insured by the relevant regulators. There has no recent history of default in relation to these financial institutions. The expected credit loss is close to zero (2019: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Deposits and other receivables

For deposits and other receivables, management makes individual impairment assessments of deposits and other receivables periodically based on historical settlement records, past experience as well as forward looking factors. As at 31 December 2020, the recoverability of an amount due from an independent third party, amounted to JPY89,500,000 (equivalent to RMB5,434,773) (2019: JPY89,500,000 (equivalent to RMB5,757,507)), was uncertain and full impairment provision was made. The Directors believed that there was no material credit risk in the remaining balances of deposits and other receivables and the expected credit loss is close to zero (2019: same).

(c) Price risk

Exposure

Digital assets that the Group deals with in its trading activities are digital assets such as Bitcoin, Ethereum, Ripple, USD Coin, Tether and Bitcoin Cash which can be traded in a number of public exchanges.

The Group's exposure to price risk arises from digital assets and digital asset liabilities which are both measured on fair value basis (Note 20, Note 22(b), Note 23, Note 26(a)(ii), Note 26(b), Note 28 and Note 29(c)).

The price risk of digital asset inventories arising from digital asset and blockchain platform business is partly offset by remeasurement of digital asset liabilities and collateral payables, representing the obligations to deliver digital assets held by the Group in the customers' accounts to the customers under the respective trading and lending arrangements with the Group.

To manage its price risk arising from trading of digital asset inventories, the Group's operating principle is to reduce price risk by maintaining a minimal net position of digital asset inventories over its digital asset liabilities for working capital purposes by matching a customer's buy or sell trade as quickly as possible with an opposite trade with liquidity providers or through third party exchanges.

In addition, the Group may use digital asset futures to hedge against any inventory positions. As at 31 December 2020 and 2019, there was no outstanding futures contract.

Save as disclosed in Note 20, the Group has proprietary inventories of RMB491,415,386 (2019: RMB89,448,271) and 23% (2019: 49%) of the balances are stablecoins, which are asset-backed with fair values approximate US$1 per unit with limited price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk (Continued)

Sensitivity

At 31 December 2020, if the prices of digital assets held by the Group had increased/decreased by 14% (2019: 8%) (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the loss before income tax arising from changes in fair values of the assets and liabilities listed in the table below would have been higher or lower as follow:

Fair value changed by 14% (2020 average price movement):

	Loss before income tax 2020	Loss before income tax 2019
Increase in fair value		
Digital asset inventories	**RMB335,680,016 lower**	RMB62,518,645 lower
Digital asset liabilities due to customers	**RMB278,781,108 higher**	RMB49,995,887 higher
Inventories borrowed from counterparties	**RMB21,238,352 higher**	–
Interest payable arising from inventories borrowed from counterparties	**RMB180,027 higher**	–
Collateral payables	**RMB21,211,901 higher**	RMB4,466,882 higher

	Loss before income tax 2020	Loss before income tax 2019
Decrease in fair value		
Digital asset inventories	**RMB335,680,016 higher**	RMB62,518,645 higher
Digital asset liabilities due to customers	**RMB278,781,108 lower**	RMB49,995,887 lower
Inventories borrowed from counterparties	**RMB21,238,352 lower**	–
Interest payable arising from inventories borrowed from counterparties	**RMB180,027 lower**	–
Collateral payables	**RMB21,211,901 lower**	RMB4,466,882 lower

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk (Continued)

Sensitivity *(Continued)*

Fair value changed by 8% (2019 average price movement):

	Loss before income tax 2019
Increase in fair value	
Digital asset inventories	RMB35,724,940 lower
Digital asset liabilities due to customers	RMB28,569,078 higher
Collateral payables	RMB2,552,504 higher

	Loss before income tax 2019
Decrease in fair value	
Digital asset inventories	RMB35,724,940 higher
Digital asset liabilities due to customers	RMB28,569,078 lower
Collateral payables	RMB2,552,504 lower

Among the balances, 9% of digital asset inventories (2019: 18%) and 7% of digital asset liabilities due to customers (2019: 10%) are stablecoins, which are asset-backed with fair values approximate US$1 per unit with limited price risk.

As at 31 December 2020, the Group also had inventories due from counterparties of RMB32,116,296 (2019: RMB24,361,958) and related interest receivable of RMB90,398 (2019: RMB207,667), as well as inventories borrowed from counterparties of RMB13,095,282 (2019: RMB7,656,549) and related interest payables of RMB459,616 (2019: RMB67,969), which were related to stablecoins. As the relevant stablecoins are asset-backed and has a market value of approximately US$1 per unit with minimal fluctuation, the price risk is insignificant and no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. 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 committed credit lines.

The Directors closely monitor the Group's liquidity position and financial performance to ensure it has sufficient cash flow to meet the operational need. These measures include raising additional capital; extending existing loan facilities; and obtaining additional financing from banks and other leaders, if considered necessary.

The table below analyses our Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each financial reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

	On demand RMB	Within 1 year RMB	Between 1 and 2 years RMB	Between 2 and 5 years RMB	Total RMB
At 31 December 2020					
Borrowings (excluding non-financial borrowings of digital assets)	–	250,582,195	61,600,436	–	312,182,631
Lease liabilities	–	49,351,185	49,351,185	111,816,720	210,519,090
Liabilities due to customers	2,363,875,276	–	–	–	2,363,875,276
Trade payables	–	43,436,368	–	–	43,436,368
Accruals, other payables and deposits received (excluding employee benefits, other tax payables and non-financial interest payable) *(Note 26)*	–	31,683,255	–	9,340,787	41,024,042
	2,363,875,276	375,053,003	110,951,621	121,157,507	2,971,037,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

***Financial risk factors** (Continued)*

(d) Liquidity risk (Continued)

	On demand RMB	Within 1 year RMB	Between 1 and 2 years RMB	Between 2 and 5 years RMB	Over 5 years RMB	Total RMB
At 31 December 2019						
Borrowings (excluding non-financial borrowings of digital assets)	–	77,483,978	270,574,050	–	–	348,058,028
Lease liabilities	–	49,752,942	49,362,869	137,734,194	20,132,924	256,982,929
Financial liabilities at fair value through profit or loss	–	14,646,047	–	6,960,498	–	21,606,545
Liabilities due to customers	496,189,194	–	–	–	–	496,189,194
Trade payables	–	41,243,692	–	–	–	41,243,692
Accruals, other payables and deposits received (excluding employee benefits, other income tax payables, non-financial interest payable and collateral payables) *(Note 27)*	–	55,338,463	–	9,340,787	–	64,679,250
	496,189,194	238,465,122	319,936,919	154,035,479	20,132,924	1,228,759,638

3.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain or adjust the capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares. The Group's overall strategy remains unchanged from prior year.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 31 December 2020 was 96% (2019: 106%).

The business plans of the Group mainly depend on maintaining sufficient funding to meet its expenditure requirements. The Group currently relies on funding from a variety of sources including loans from third parties and related parties as well as equity financing. Should the Group be unable to obtain sufficient funding, both existing operations of the Group and its development plans could be impacted.

Furthermore, OSL Digital Securities, a licensed corporation (as referred to in Note 3.2(i)) and its associated entity, BC Business Management Services (HK) Limited are subject to minimum paid-up capital and liquid capital requirements under the Securities and Futures Ordinance.

In response to the above, the Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations and relevant regulatory requirements of the group entities and seek to diversify its funding sources as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation

(a) Financial assets and liabilities

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

(i) Fair value hierarchy

Recurring fair value measurements

At 31 December 2020 Financial liabilities	*Note*	**Level 1 RMB**	**Level 2 RMB**	**Level 3 RMB**	**Total RMB**
Liabilities due to customers — Digital asset liabilities	*28*	**2,125,003,869**	**5,203,190**	**–**	**2,130,207,059**
Liabilities due to customers — Fiat currency liabilities	*28*	**233,668,217**	**–**	**–**	**233,668,217**
		2,358,672,086	**5,203,190**	**–**	**2,363,875,276**

At 31 December 2019 Financial liabilities	*Note*	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial liabilities at fair value through profit or loss	*30*	–	–	19,578,376	19,578,376
Liabilities due to customers — Digital asset liabilities	*28*	354,156,330	2,957,150	–	357,113,480
Liabilities due to customers — Fiat currency liabilities	*28*	139,075,714	–	–	139,075,714
		493,232,044	2,957,150	19,578,376	515,767,570

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(a) Financial assets and liabilities *(Continued)*

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for year ended 31 December 2020 and 31 December 2019:

	Convertible note		Warrant		Total	
	2020 RMB	2019 RMB	**2020 RMB**	2019 RMB	**2020 RMB**	2019 RMB
Opening balance at 1 January	**13,524,247**	13,747,067	**6,054,129**	6,873,163	**19,578,376**	20,620,230
Change in fair value	**922,656**	(400,178)	**854,292**	(892,631)	**1,776,948**	(1,292,809)
Derecognition	**(14,754,830)**	–	**(7,104,178)**	–	**(21,859,008)**	–
Currency translation differences	**307,927**	177,358	**195,757**	73,597	**503,684**	250,955
Closing balance at 31 December	**–**	13,524,247	**–**	6,054,129	**–**	19,578,376

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 2 and level 3 fair value measurements:

Financial instruments	Fair value as at 31 December 2020 RMB	Fair value as at 31 December 2019 RMB	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs 31 December 2020	Significant unobservable inputs 31 December 2019	Relationship of unobservable inputs to fair value
1) Convertible note with a conversion right to convert the note into shares of OS Holdings Limited	–	13,524,247	Level 3	Black-Scholes Formula is adopted and the key inputs are the share price of OS Holdings Limited, the volatilities of the assets and the risk free rate	N/A	Yield to maturity: 6.50%	2020: N/A 2019: Increased yield to maturity by 200 basis points would decrease fair value by RMB240,678; decreased yield to maturity by 200 basis points would increase fair value by RMB249,701.
2) Warrant with a conversion right to convert the warrant into ordinary shares of BC MarketPlace Limited	–	6,054,129	Level 3	Discounted cash flow model is adopted and the key inputs are terminal growth rate and discount rate	N/A	Discount rate: 29%	2020: N/A 2019: Increased discount rate by 500 basis points would decrease fair value by RMB1,084,005; decreased discount rate by 500 basis points would increase fair value by RMB1,584,822.
3) Liabilities due to customers – digital asset liabilities *(Note)*	**5,203,190**	2,957,150	Level 2	The digital asset is quoted in unit of Bitcoin ("BTC"). Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC	2019 and 2020: Changes in price of BTC would change the price of these digital assets measured at level 2 fair value proportionately.

Note: Digital asset inventories are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the OTC market, the provision of automated digital assets trading services through its proprietary platforms and the provision of technology solutions to others. Based on respective rights and obligations between the Group and its customers under various agreements, the obligations to settle or deliver such digital assets held by the Group in designated customer accounts are recognised as digital asset liabilities due to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(a) Financial assets and liabilities (Continued)

(iii) Valuation inputs and relationships to fair value (Continued)

As at 31 December 2020, the digital asset liabilities due to customers are measured at level 1 or level 2 fair value. The determination of fair value hierarchy level for valuation of the liabilities due to customers would depend on whether the underlying digital asset is traded in an active market.

In determining fair values, the relevant available markets are identified by the Group, and the Group considers accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. Reference is made to the quoted prices from the principal digital asset markets in determining the fair values of the corresponding digital assets.

Certain type of digital assets is not traded in an active market for fiat currency, instead, it is only traded for another type of digital assets. In such case, the digital asset inventories and the corresponding liabilities due to customers are measured at level 2 fair value and the Group takes reference to the quoted price of the other digital assets in determining the fair value.

(iv) Sensitivity analysis

Sensitivity analysis is presented in Note 3.5(a)(iii) above for the impact of changes in the unobservable inputs which might result in a significant change in the Group's results.

(v) Valuation processes

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's financial liabilities at fair value through profit or loss upon the initial recognition as well as at the end of reporting period. During the year ended 31 December 2020, the fair value of a convertible note upon the initial recognition (2019: financial liabilities at fair value through profit or loss) was determined by Vigers Appraisal & Consulting Limited (Note 30).

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets and liabilities that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.5(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

Recurring fair value measurements

	Notes	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
At 31 December 2020					
Non-financial assets					
Digital asset inventories	*20*	**2,562,355,964**	**59,266,481**	**–**	**2,621,622,445**
Interest receivables arising from inventories due from counterparties	*22(b)*	**12,455**	**77,943**	**–**	**90,398**
Inventories due from counterparties	*23*	**1,440,654**	**30,675,642**	**–**	**32,116,296**
		2,563,809,073	**90,020,066**	**–**	**2,653,829,139**
Non-financial liabilities					
Collateral payables	*26(b)*	**151,513,578**	**–**	**–**	**151,513,578**
Interest payables arising from inventories borrowed from counterparties	*26(a)*	**1,745,524**	**–**	**–**	**1,745,524**
Inventories borrowed from counterparties	*29(c)*	**171,345,470**	**–**	**–**	**171,345,470**
		324,604,572	**–**	**–**	**324,604,572**
At 31 December 2019					
Non-financial assets					
Digital asset inventories	*20*	410,589,431	35,972,320	–	446,561,751
Interest receivables arising from inventories due from counterparties	*22(b)*	–	207,667	–	207,667
Inventories due from counterparties	*23*	–	24,361,958	–	24,361,958
		410,589,431	60,541,945	–	471,131,376
Non-financial liabilities					
Collateral payables	*26(c)*	31,906,302	–	–	31,906,302
Interest payables arising from inventories borrowed from counterparties	*26(b)*	18,216	49,753	–	67,969
Inventories borrowed from counterparties	*29(c)*	4,176,300	3,480,249	–	7,656,549
		36,100,818	3,530,002	–	39,630,820

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities (Continued)

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 2 fair value measurements:

Non-financial assets/liabilities	Fair value as at 31 December 2020 RMB	Fair value as at 31 December 2019 RMB	Fair value Hierarchy	Valuation techniques and key inputs	Significant unobservable input 31 December 2020	Significant unobservable input 31 December 2019
Digital asset inventories	**59,266,481**	35,972,320	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC
Interest receivables arising from inventories due from counterparties	**77,943**	207,667	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC
Inventories due from counterparties	**30,675,642**	24,361,958	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC
Interest payable arising from inventories borrowed from counterparties	**–**	49,753	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC
Inventories borrowed from counterparties	**–**	3,480,249	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC

Digital asset inventories are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the OTC market, the provision of automated digital assets trading services through its proprietary platforms and the provision of technology solutions to others. There are also digital assets received or receivable by the Group under digital asset financing arrangements. Based on respective rights and obligations between the Group and its counterparties under various agreements, digital assets held in the Group's wallets are recognised as the Group's inventories.

As at 31 December 2020, the digital asset inventories are measured at level 1 or level 2 fair value. The determination of fair value hierarchy level for valuation of the digital asset inventories would depend on whether the underlying digital assets is traded in an active market.

In determining fair values, the relevant available markets are identified by the Group, and the Group considers accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. Reference is made to the quoted prices from the principal digital asset markets in determining the fair values of the corresponding digital assets.

Certain type of digital assets is not traded in an active market for fiat currency, instead, it is only traded for another type of digital assets. In such case, the digital asset inventories and the corresponding liabilities due to customers are measured at level 2 fair value and the Group takes reference to the quoted price of the other digital assets in determining the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Accounting of digital assets transactions and balances

IFRSs do not specifically address accounting for digital assets. Accordingly, for the preparation of the Group's consolidated financial statements, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's digital assets and blockchain platform business.

Given the business model of the Group, digital assets are accounted for as inventories and are measured at fair value less costs to sell on the consolidated statement of financial position. On the other hand, contracts for trading of digital assets with the Group's counterparties and liquidity providers through its OTC and proprietary platforms are accounted for as financial instruments and measured at fair value through profit or loss as these contracts can, in practice, be settled net in cash; whereas service fees from Software as a Service arrangements which are determined based on the transaction volume of the platforms licensed by the White label customers are recognised over time when the platform technology and related services are provided.

Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets for the Group.

(b) Impairment allowances for trade and bills receivables, contract assets and other receivables

The loss allowances for trade and bills receivables, contract assets and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Refer to Note 3.3(b) for more details.

(c) Share-based payments

Judgement is exercised in the assessment of the fair value of the share-based payments to employees and non-employees. In making its judgement, management considers the nature of services received and a wide range of factors such as the share price of the Company and other market performance conditions and non-vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 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 services 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 OTC market and provision of automated digital assets trading services through its proprietary platforms, licensing of its proprietary platforms and technology solutions as a SaaS and other related businesses.

Note: The Board of Directors (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 disposal of the segment of wireless advertising was completed (see Note 14 for more details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT REPORTING *(Continued)*

(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 7)*	–	–	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 7)*	–	–	4,398,819	–	4,398,819	–	4,398,819
Interest income from inventories financing and other revenues *(Note 7)*	–	–	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT REPORTING *(Continued)*

(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 7)*	–	–	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 7)*	–	–	2,261,879	–	2,261,879	–	2,261,879
Interest income from inventories financing and other revenues *(Note 7)*	–	–	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

(a) 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 **RMB**	2019 RMB
Revenue from advertising business	**26,702,510**	57,897,897
Service fee from SaaS *(Note 7)*	**4,398,819**	2,261,879
Interest income from inventories financing *(Note 7)*	**2,853,333**	1,397,625
Others *(Note 7)*	**3,980,368**	1,076,674

(b) Assets and liabilities related to contracts with customers

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

	Notes	**2020** **RMB**	2019 RMB
Contract assets from advertising business		**1,881,911**	26,953,196
Contract assets from digital assets and blockchain platform business		**372,647**	1,387,179
Less: loss allowance in relation to advertising business		**(96,760)**	(1,909,182)
		2,157,798	26,431,193
Assets recognised from costs to fulfill revenue contracts		**3,350,646**	1,939,649
Total contract assets	*6(b)(i)*	**5,508,444**	28,370,842
Contract liabilities	*6(b)(i)*	**6,236,634**	2,556,873

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

	2020 **RMB**	2019 RMB
At the beginning of the year	**1,909,182**	9,686,597
(Reversal)/Provision for impairment of contract assets in relation to advertising business *(Note 10)*	**(1,812,422)**	365,438
Provision for impairment of contract assets in relation to digital assets and blockchain platform business *(Note 10)*	**1,933,865**	–
Write-off of provision for impairment of contract assets in relation to digital assets and blockchain platform business	**(1,933,865)**	–
Reclassification of impairment provision to assets held for sale *(Note 14)*	**–**	(8,142,853)
At the end of the year	**96,760**	1,909,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15 *(Continued)*

(b) Assets and liabilities related to contracts with customers *(Continued)*

(i) Contract assets and liabilities

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

(ii) Revenue recognised in relation to contract liabilities

The following shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2020 **RMB**	2019 RMB
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,964,201**	931,198

(iii) Unsatisfied long-term SaaS contracts

The following table shows unsatisfied performance obligations resulting from SaaS contracts:

	2020 **RMB**	2019 RMB
Aggregate amount of the transaction price allocated to SaaS contracts that are partially or fully unsatisfied as at 31 December	**11,346,106**	20,290,073

Management expects that the transaction price allocated to the unsatisfied performance obligations as at year ended 31 December 2020 will be recognised as revenue when the related services are provided over the next 2 to 6 years (2019: 3 to 4 years).

(iv) Assets recognised from costs to fulfil revenue contracts

The Group has also recognised an asset in relation to costs to fulfil SaaS contracts. This is presented within contract assets in the consolidated statement of financial position.

	2020 **RMB**	2019 RMB
Amortisation recognised as cost of providing services during the year	**456,738**	284,179
Written-off during the year *(Note)*	**562,897**	–

Note : Contract assets and costs to fulfil revenue contracts related to certain revenue contracts were considered irrecoverable, and these balances were fully impaired and written off during the year ended 31 December 2020. Refer to Note 3.3(b)(iii) for more details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 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 *(Note 6(a))*	**4,398,819**	2,261,879
Interest income from inventories financing *(Note 6(a))*	**2,853,333**	1,397,625
Others *(Note 6(a))*	**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.

8 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2020	2019
	RMB	RMB
Other income		
Service income from a third party	**–**	1,281,695
Participation income	**–**	459,328
Government grants *(Note)*	**5,736,476**	–
Others	**–**	233,526
Total	**5,736,476**	1,974,549

Note: The amount mainly represented cash subsidies in respect of the anti-epidemic fund granted by the Government of the Hong Kong Special Administrative Region for which the conditions of the grants have been fully satisfied as at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET *(Continued)*

	2020 RMB	2019 RMB
Other (losses)/gains, net		
Exchange (losses)/gains, net	**(3,874,945)**	1,542,411
Fair value changes of financial liabilities through profit or loss *(Note 3.5(a)(ii))*	**(1,776,948)**	1,292,809
Loss on disposal of property, plant and equipment *(Note 36(c))*	**(164,663)**	(449,759)
Loss on write-off of intangible assets *(Note 18)*	**–**	(60,630)
Gain on termination of leases	**–**	315,440
Loss on dissolution of subsidiaries *(Note)*	**(22,060)**	–
Others	**194,520**	75,348
Total	**(5,644,096)**	2,715,619

Note: During the year ended 31 December 2020, ANX Technology Services (HK) Limited and ANX Client Services (HK) Limited, subsidiaries of the Group were deregistered.

9 FINANCE COSTS, NET

	2020 RMB	2019 RMB
Finance income		
Interest income from bank deposits	**595,579**	476,002
Imputed interest income from rental deposits	**691,325**	623,155
Imputed interest income from borrowings	**927,066**	11,833,110
Imputed interest income from pledged deposits	**6,981,583**	9,438,059
	9,195,553	22,370,326
Finance costs		
Interest expense on borrowings	**(9,865,386)**	(14,289,270)
Interest expense on lease liabilities *(Note 27(b))*	**(21,641,464)**	(25,475,840)
Interest expense on inventories borrowed from counterparties	**(2,091,537)**	(92,817)
Imputed interest expense on pledged deposits paid	**(969,255)**	(10,489,692)
Imputed interest expense on borrowings	**(8,253,795)**	(11,415,696)
Interest expense on convertible notes	**(948,662)**	(699,801)
	(43,770,099)	(62,463,116)
Finance costs, net	**(34,574,546)**	(40,092,790)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EXPENSES BY NATURE

Cost of revenue, selling and distribution expenses, administrative and other operating expenses, and (reversal of provision)/provision for impairment losses on financial assets and contract assets, net included the following:

	2020 RMB	2019 RMB
Continuing operations		
Auditor's remuneration		
— Audit services	**9,300,760**	9,297,908
— Non-audit services	**1,733,636**	1,140,285
Legal and professional fees	**4,553,865**	5,659,681
Consultancy fee (including share-based payments)	**7,494,622**	10,555,921
Travelling expenses	**1,321,074**	3,286,472
Cost of revenue relating to advertising services (excluding employee benefits)	**23,177,225**	47,064,322
Cost of revenue relating to provision of SaaS *(Note 6(b))*	**1,019,635**	–
Amortisation of intangible assets *(Note 18)*	**10,767,778**	8,197,399
Depreciation of property, plant and equipment (excluding right-of-use assets) *(Note 17)*	**10,198,136**	9,574,114
Depreciation of right-of-use assets *(Note 17)*	**31,979,570**	39,023,975
Employee benefit expenses (including directors' emoluments) *(Note 11)*	**187,825,182**	158,691,103
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 27(b))*	**3,172,801**	3,402,342
(Reversal of provision)/provision for impairment of trade receivables *(Note 21)*	**(2,288,016)**	7,933,712
Provision for impairment of other receivables *(Note 22(d))*	**–**	5,672,587
Provision for impairment of contract assets *(Note 6(b))*	**121,443**	365,438
Share-based payment to warrant holder *(Note (a))*	**91,910,449**	–
IT costs	**15,990,840**	19,365,515
Others	**42,718,772**	46,710,636
Total	**440,997,772**	375,941,410
Represented by:		
Cost of revenue	**41,978,412**	68,602,787
Selling and distribution expenses *(Note (a))*	**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
	440,997,772	375,941,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EXPENSES BY NATURE *(Continued)*

Note (a):

The share-based payment expenses was related to a warrant issued to J Digital 5 LLC ("Warrant Holder"), a liquidity provider for the provision of liquidity to the Group's online digital asset trading platforms during the year ended 31 December 2020.

On 10 November 2019, the Company entered into a warrant subscription agreement with the Warrant Holder whereby the Warrant Holder may subscribe for and the Company may allot and issue a maximum number of 11,526,270 warrant shares (i.e. ordinary shares of the Company). The warrant issue price is HK$78,000 (equivalent to approximately RMB69,284). The number of warrant shares issuable at zero exercise price is set out in a sliding schedule in the warrant subscription agreement and is determined based on the average daily value threshold of transactions attributable to the liquidity provided by the Warrant Holder to the Group's online digital asset trading platforms during the relevant measurement periods within two years since the issuance of the warrants. The conditions precedent to the warrant subscription agreement were completed on 6 July 2020 and the agreement is effective for a period of two years and five business days. Up to an aggregate of 508,707 warrant shares can be exercised by the Warrant Holder commencing on the issue date of the warrant and the remaining warrant shares can only be exercised by the Warrant Holder two years after the issuance of the warrant.

The warrant is an equity-settled share-based payment transaction for services received from the Warrant Holder under non-market performance vesting condition. The fair value of the services received from the Warrant Holder cannot be estimated reliably due to the scarcity of a separate immediate market for providing the liquidity services of digital assets with service fee and the inseparableness between the market factors and the benefits obtained by the Group from the liquidity provided by the Warrant Holder. Accordingly, the fair value is measured based on the warrant shares issuable according to the sliding schedule mentioned above and referenced to the share price of the Company during the relevant measurement periods.

During the year ended 31 December 2020, share-based payment expenses of RMB91,910,449 measured using the basis described above was recognised under "selling and distribution expenses".

The following table presents the key inputs for the share-based payment expenses related to the warrants:

Weight average share price of the Company as at the measurement dates	HK$12.73
Number of warrant shares expected to vest up to 31 December 2020	9,629,710

No warrant shares were exercised by the Warrant Holder during the year ended 31 December 2020.

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)

	2020 RMB	2019 RMB
Basic salaries, allowances and other benefits in kind	**112,739,500**	121,913,309
Pension costs — defined contribution plans	**2,057,816**	2,457,605
Share-based payments to employees	**82,031,457**	43,865,393
	196,828,773	168,236,307
Less: staff costs mainly capitalised as the following development costs		
— Cost to fulfil revenue contracts	**(2,703,340)**	–
— Intangible assets	**(4,996,612)**	(8,518,418)
— Construction in progress under property, plant and equipment	**(1,303,639)**	(1,026,786)
	187,825,182	158,691,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS) *(Continued)*

During the year ended 31 December 2020, the Group did not operate defined benefit plan (2019: same).

(a) Pensions — defined contribution plans

As at 31 December 2020, there were no forfeited contributions available to offset future retirement benefit obligations of the Group (2019: same).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: three) directors whose emoluments are reflected in the analysis shown in Note 12. The emoluments payable to the remaining three (2019: two) individuals during the year are as follows:

	2020 **RMB**	2019 RMB
Salaries, allowances and benefits in kinds	**4,929,865**	4,276,337
Pension scheme contributions	**38,639**	27,744
Share-based payments to employees	**27,658,438**	691,386
	32,626,942	4,995,467

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$10,500,001 to HK$11,000,000	**2**	–
HK$15,000,001 to HK$15,500,000	**1**	–
	3	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) The remuneration of all directors for the years ended 31 December 2020 and 2019 is set out below:

	Fee RMB	Salaries, allowances and benefit in kinds RMB	Pension scheme contributions RMB	Share-based compensation RMB	Total RMB
Year ended 31 December 2020					
Executive directors:					
Mr. Lo Ken Bon	–	3,197,726	15,989	4,588,298	7,802,013
Mr. Ko Chun Shun, Johnson	1,065,909	–	–	3,544,791	4,610,700
Mr. Madden Hugh Douglas	–	3,197,726	15,989	4,588,298	7,802,013
Mr. Chapman David James	–	3,197,726	15,989	4,588,298	7,802,013
Mr. Tiu Ka Chun, Gary *(Note ii)*	–	1,598,863	15,989	552,120	2,166,972
Non-executive directors:					
Mr. Chia Kee Loong, Lawrence	426,363	–	–	443,197	869,560
Mr. Chau Shing Yim, David	426,363	–	–	443,197	869,560
Mr. Tai Benedict	426,363	–	–	443,197	869,560
	2,344,998	11,192,041	63,956	19,191,396	32,792,391
Year ended 31 December 2019					
Executive directors:					
Mr. Fang Bin *(Note i)*	–	438,572	11,258	–	449,830
Mr. Lo Ken Bon	–	3,170,689	15,853	2,810,561	5,997,103
Mr. Ko Chun Shun, Johnson	1,056,896	–	–	1,405,281	2,462,177
Mr. Madden Hugh Douglas	–	3,170,689	15,853	2,810,561	5,997,103
Mr. Chapman David James	–	3,170,689	15,853	2,810,561	5,997,103
Mr. Tiu Ka Chun, Gary *(Note ii)*	–	841,113	9,248	–	850,361
Non-executive directors:					
Mr. Chia Kee Loong, Lawrence	422,758	–	–	281,056	703,814
Mr. Chau Shing Yim, David	422,758	–	–	281,056	703,814
Mr. Tai Benedict	422,758	–	–	281,056	703,814
	2,325,170	10,791,752	68,065	10,680,132	23,865,119

Note:

(i) Mr. Fang Bin resigned as an executive director on 11 July 2019.

(ii) Mr. Tiu Ka Chun, Gary was appointed as an executive director on 11 July 2019.

(b) Directors' emoluments

None of the directors has waived any of their emoluments in respect of the years ended 31 December 2020 and 2019.

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2020 and 2019.

(e) Consideration provided to third parties for making available director's services

During the years ended 31 December 2020 and 2019, no consideration was paid by the Company to third parties for making available directors' services.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2019, borrowings amounted to HK$132,000,000 (equivalent to RMB117,997,265) were provided by Mr. Ko Chun Shun, Johnson, an executive director of the Company, through his wholly owned companies. During the year ended 31 December 2020, these borrowings were partially repaid and the unsettled borrowings amounted to HK$56,000,000 (equivalent to RMB47,253,396) were reassigned to Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon who are the executive directors of the Company, and Ms. Cheng Wan Gi who is an executive director of the ultimate holding company of the Company, in an equal portion. As at 31 December 2020, these borrowings amounted to HK$28,000,000 (equivalent to RMB23,626,699) remained outstanding. Refer to Note 29 for more details.

In addition, Mr. Ko Chun Shun, Johnson, through his wholly owned company, provided a loan facility up to HK$56,000,000 (equivalent to RMB47,253,396) to the Group during the year ended 31 December 2020. Loan amounted to HK$56,000,000 (equivalent to RMB47,253,396) was drawn down and remained outstanding as at 31 December 2020. Refer to Note 29 for more details.

During the year ended 31 December 2020, a related company which Mr. Chapman David James and Mr. Madden Hugh Douglas, the executive directors of the Company, are the directors, has provided a loan to the Group, with BTC being the loan principal amounted to USD8,697,024 (equivalent to RMB56,888,415). As at 31 December 2020, the amount remained outstanding. Refer to Note 29(c) for more details.

Except for the loans mentioned above, during the years ended 31 December 2020 and 2019, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(g) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 December 2020 and 2019 or at any time during the years ended 31 December 2020 and 2019.

13 INCOME TAX EXPENSE/(CREDIT)

(i) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the year ended 31 December 2020 (2019: same).

(ii) Hong Kong profits tax

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits for the Group's qualifying entity and at 16.5% on the estimated assessable profits above HK$2 million for the year ended 31 December 2020 (2019: same).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2020 (2019: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(iii) The PRC corporate income tax

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).

(iv) Singapore corporate income tax

Singapore corporate income tax is calculated at 17% of the estimated assessable profits for the year ended 31 December 2020 (2019: same).

No provision for Singapore corporate income tax has been made as the Group did not generate any assessable profits arising in Singapore during the year ended 31 December 2020 (2019: same).

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

	2020 **RMB**	2019 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 *(Note 31)*	**(2,225,592)**	(2,119,372)
Income tax expense/(credit)	**1,808,540**	(1,577,857)

The income tax expense/(credit) for the year can be reconciled to the Group's loss before income tax in the consolidated statement of profit or loss as follows:

	2020 **RMB**	2019 RMB
Continuing operations		
Loss before income tax	**(258,978,639)**	(246,655,587)
Tax calculated at a rate of 25% (2019: 25%)	**(64,744,660)**	(61,663,897)
Tax effect of different tax rates of subsidiaries operated in other jurisdictions	**22,715,787**	20,350,954
Expenses not deductible for tax purposes	**18,530,006**	10,397,060
Income not subject to tax	**(4,718,205)**	(5,556,030)
Utilisation of previously unrecognised tax losses	**(911)**	(39,267)
Tax losses for which no deferred income tax assets were recognised	**30,026,523**	36,551,165
Over-provision in prior years	**–**	(1,617,842)
Income tax expense/(credit)	**1,808,540**	(1,577,857)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DISCONTINUED OPERATIONS

On 29 December 2016, the Board decided to discontinue the operation of the wireless advertising business. An analysis of the results and cash flows of the discontinued operations for the years ended 31 December 2020 and 2019 is as below:

	2020 RMB	2019 RMB
Discontinued operations		
Statement of profit or loss of the discontinued operations:		
Other gains	1	372
Administrative and other operating expenses	(3,718)	(44,951)
Gain on disposal of on discontinued operations *(Note)*	1,880,700	–
Profit/(loss) from discontinued operations (attributable to the owners of the Company)	1,876,983	(44,579)
Statement of cash flows of the discontinued operations:		
Net cash used in operating activities and net cash outflows	(512)	(6,900)

Note: On 1 December 2019, the Group entered into the sales and purchase agreement with an independent third party in relation to the disposal of the Group's 100% equity interest in each of 上海巨流信息科技有限公司 ("巨流信息") and 上海巨流軟件有限公司 ("巨流軟件"), which represented the entire discontinued operations of the Group. The disposal of both entities was completed during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DISCONTINUED OPERATIONS *(Continued)*

Details of assets and liabilities of 巨流信息 and 巨流軟件 at the disposal date are as follow:

	17 January 2020 巨流信息 RMB	15 June 2020 巨流軟件 RMB	Total RMB
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	78,159	–	78,159
Other receivables	3,353,902	1,472,383	4,826,285
Cash and cash equivalents	120,770	369	121,139
Trade and other payables *(Note)*	(4,138,183)	(2,113,850)	(6,252,033)
Contract liabilities	(242,347)	–	(242,347)
Current income tax liabilities	(234,733)	(177,170)	(411,903)
Net liabilities disposed of	(1,062,432)	(818,268)	(1,880,700)
Gain on disposal of subsidiaries:			
Consideration received	–	–	–
Net liabilities disposed of	1,062,432	818,268	1,880,700
Gain on disposal of subsidiaries	1,062,432	818,268	1,880,700
Net cash outflow on disposal of subsidiaries			
Cash consideration	–	–	–
Less: cash and cash equivalents disposed of	(120,770)	(369)	(121,139)
	(120,770)	(369)	(121,139)

Note: Balance is net of available debt waiver.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DISCONTINUED OPERATIONS *(Continued)*

The assets and liabilities of 巨流信息 and 巨流軟件 (excluding an inter-company loan which is eliminated on consolidation) were classified as held for sale as at 31 December 2019 and details are as follows:

	At 31 December 2019		
	巨流信息 RMB	巨流軟件 RMB	Total RMB
Property, plant and equipment	81,299	–	81,299
Contract assets	6,506,051	1,636,802	8,142,853
Less: loss allowance	(6,506,051)	(1,636,802)	(8,142,853)
Other receivables	1,942,064	482,384	2,424,448
Cash and cash equivalents	120,770	881	121,651
Assets of a disposal group classified as held for sale	2,144,133	483,265	2,627,398
Trade payables	(3,620,795)	(1,960,778)	(5,581,573)
Other payables	(517,388)	(153,072)	(670,460)
Contract liabilities	(242,347)	–	(242,347)
Current income tax liabilities	(234,733)	(177,170)	(411,903)
Liabilities directly associated with assets classified as held for sale	(4,615,263)	(2,291,020)	(6,906,283)
Net liabilities directly associated with the disposal group	(2,471,130)	(1,807,755)	(4,278,885)

15 DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LOSS PER SHARE

For continuing and discontinued operations

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

	2020 RMB	2019 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 RMB	2019 RMB
Loss from continuing and discontinued operations:		
Loss for the year attributable to the owners of the Company used in calculating 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 and diluted 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 warrants 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB	Office furniture and equipment RMB	Motor vehicles RMB	Right-of-use assets RMB	Construction in progress RMB	Total RMB
At 1 January 2019						
Cost	22,974,626	10,773,595	4,039,789	228,825,740	–	266,613,750
Accumulated depreciation	(2,310,623)	(1,852,402)	(2,195,618)	(22,563,862)	–	(28,922,505)
Net book amount	20,664,003	8,921,193	1,844,171	206,261,878	–	237,691,245
Year ended 31 December 2019						
Opening net book amount	20,664,003	8,921,193	1,844,171	206,261,878	–	237,691,245
Additions	11,972,170	2,574,657	–	–	1,026,786	15,573,613
Depreciation *(Note 10)*	(5,652,853)	(3,282,297)	(638,964)	(39,023,975)	–	(48,598,089)
Disposals	(350,699)	(200,559)	–	(745,456)	–	(1,296,714)
Reclassified as assets held for sale *(Note 14)*	–	(337)	(80,962)	–	–	(81,299)
Currency translation differences	348,391	136,613	–	1,572,573	15,371	2,072,948
Closing net book amount	26,981,012	8,149,270	1,124,245	168,065,020	1,042,157	205,361,704
At 31 December 2019						
Cost	35,002,037	13,081,180	3,808,126	229,713,108	1,042,157	282,646,608
Accumulated depreciation	(8,021,025)	(4,931,910)	(2,683,881)	(61,648,088)	–	(77,284,904)
Net book amount	26,981,012	8,149,270	1,124,245	168,065,020	1,042,157	205,361,704
Year ended 31 December 2020						
Opening net book amount	**26,981,012**	**8,149,270**	**1,124,245**	**168,065,020**	**1,042,157**	**205,361,704**
Additions	**–**	**672,225**	**890,000**	**–**	**1,303,639**	**2,865,864**
Lease modification *(Note 27 (b))*	**–**	**–**	**–**	**(2,744,284)**	**–**	**(2,744,284)**
Depreciation *(Note 10)*	**(6,075,647)**	**(3,641,638)**	**(480,851)**	**(31,979,570)**	**–**	**(42,177,706)**
Disposals	**–**	**(21,748)**	**(285,716)**	**–**	**–**	**(307,464)**
Transfer	**–**	**2,339,196**	**–**	**–**	**(2,339,196)**	**–**
Currency translation differences	**(940,545)**	**(425,449)**	**–**	**(4,055,893)**	**(6,600)**	**(5,428,487)**
Closing net book amount	**19,964,820**	**7,071,856**	**1,247,678**	**129,285,273**	**–**	**157,569,627**
At 31 December 2020						
Cost	**33,523,935**	**15,138,072**	**2,526,500**	**223,205,957**	**–**	**274,394,464**
Accumulated depreciation	**(13,559,115)**	**(8,066,216)**	**(1,278,822)**	**(93,920,684)**	**–**	**(116,824,837)**
Net book amount	**19,964,820**	**7,071,856**	**1,247,678**	**129,285,273**	**–**	**157,569,627**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Goodwill RMB	Computer software and domain RMB	Acquired lease with favorable terms RMB	Capitalised development costs RMB	Total RMB
At 1 January 2019					
Cost	9,275,778	8,405,234	41,225,677	–	58,906,689
Accumulated amortisation	–	(342,533)	(10,027,867)	–	(10,370,400)
Net book amount	9,275,778	8,062,701	31,197,810	–	48,536,289
Year ended 31 December 2019					
Opening net book amount	9,275,778	8,062,701	31,197,810	–	48,536,289
Additions	–	1,844,526	–	8,518,418	10,362,944
Written-off *(Note 8)*	–	(60,630)	–	–	(60,630)
Transfer	–	8,518,418	–	(8,518,418)	–
Amortisation *(Note 10)*	–	(3,740,568)	(4,456,831)	–	(8,197,399)
Currency translation differences	–	237,219	–	–	237,219
Closing net book amount	9,275,778	14,861,666	26,740,979	–	50,878,423
At 31 December 2019					
Cost	9,275,778	18,995,568	41,225,677	–	69,497,023
Accumulated amortisation	–	(4,133,902)	(14,484,698)	–	(18,618,600)
Net book amount	9,275,778	14,861,666	26,740,979	–	50,878,423
Year ended 31 December 2020					
Opening net book amount	**9,275,778**	**14,861,666**	**26,740,979**	**–**	**50,878,423**
Additions	**–**	**–**	**–**	**4,996,912**	**4,996,912**
Transfer	**–**	**4,996,912**	**–**	**(4,996,912)**	**–**
Amortisation *(Note 10)*	**–**	**(6,310,947)**	**(4,456,831)**	**–**	**(10,767,778)**
Currency translation differences	**–**	**(766,983)**	**–**	**–**	**(766,983)**
Closing net book amount	**9,275,778**	**12,780,648**	**22,284,148**	**–**	**44,340,574**
At 31 December 2020					
Cost	**9,275,778**	**22,684,751**	**41,225,677**	**–**	**73,186,206**
Accumulated amortisation	**–**	**(9,904,103)**	**(18,941,529)**	**–**	**(28,845,632)**
Net book amount	**9,275,778**	**12,780,648**	**22,284,148**	**–**	**44,340,574**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS *(Continued)*

(a) Goodwill

Goodwill of RMB9,275,778 arose from the acquisition of Shanghai Jingwei (Note 19), whose principal activity is the provision of operation and management services in the business park area. During the year ended 31 December 2016, the Group entered into a sale and purchase agreement with a vendor to acquire the 90% of the voting equity instruments of Shanghai Jingwei at a cash consideration of RMB40,500,000. The acquisition was completed on 1 October 2016.

Goodwill was allocated to the cash generating unit of the provision of operation and management services in the business park area ("CGU").

For the year ended 31 December 2020, the recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on the financial budget approved by the Directors covering a ten-years period, and a pre-tax discount rate of 18.8% (2019: 18.1% per annum). The ten years financial budget is prepared by management based on a business plan after considering the lease period of the favourable lease terms available to the Group, the sustainability of business growth, stability of core business developments and achievement of business targets.

The Directors assessed the recoverable amount of the CGU and determined that no impairment loss was recognised for the years ended 31 December 2020 and 2019 as the recoverable amount exceeded the carrying amount.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

(b) Acquired lease with favorable terms

The favorable acquired lease with favorable terms arose from the acquisition of Shanghai Jingwei which was completed on 1 October 2016. It mainly represents a lease agreement signed between Shanghai Jingwei and its landlords with lease terms which are favorable relative to market terms. The lease agreement has met the recognition criteria of intangible assets to recognise separately from the goodwill. This intangible asset is amortised over the expected useful life of over the lease term.

(c) Capitalised development costs

Capitalised development costs represent direct costs incurred for the development of the computer software. Such capitalised costs will not be subjected to amortisation until the underlying computer software under development is ready for use. It will be tested for impairment annually and whenever there is an indication that it may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 and 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of Incorporation/ establishment	Issued/registered and paid-up share capital	Ownership interest held by the Group 2020	2019	Principal activities
Directly owned:					
BC Technology Holdings Limited	British Virgin Islands	Ordinary share of 1, USD1	**100%**	100%	Investment holding
OS Holdings Limited	British Virgin Islands	Ordinary shares of 300,000, USD300,000	**91%**	91%	Investment holding
BC Business Management Services Limited (BVI)	British Virgin Islands	Ordinary shares of 1, USD1	**100%**	100%	Investment holding
Indirectly owned:					
BC Technology (Hong Kong) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision for corporate treasury and technical services for the Group
OS Limited	Hong Kong	Ordinary share of 1, HK$1	**91%**	91%	Provision for digital assets and blockchain platform business in Hong Kong
BC MarketPlace (HK) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision for digital assets and blockchain platform business in Hong Kong
OSL SG PTE. LTD.	Singapore	Ordinary share of 1, SGD1	**100%**	100%	Provision for digital assets and blockchain platform business in Singapore
OSL Digital Securities Limited ("OSL DS")	Hong Kong	Ordinary share of 37,200,000, HK$37,200,000	**100%**	100%	Provision of regulated brokerage and automated trading service for digital assets under SFC's licensing regime in Hong Kong
BC Business Management Services (HK) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision of safekeeping service for client assets for OSL DS in Hong Kong
上海三眾廣告有限公司 ("SumZone Advertising")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision for advertising services in the PRC
上海三眾營銷策劃有限公司 ("SumZone Marketing")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision for advertising services in the PRC
上海憬威企業發展有限公司 ("Shanghai Jingwei")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB10,000,000, fully paid	**90%**	90%	Provision for business park area operation and management services in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES *(Continued)*

Shanghai Jingwei and OS Holdings Limited, partially owned subsidiaries of the Company as to 90% and 91% interests respectively, have material non-controlling interests. Summarised financial information in relation to the non-controlling interests of Shanghai Jingwei and OS Holdings Limited before intra-group elimination are presented below:

	Shanghai Jingwei		OS Holdings Limited		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB	RMB	**RMB**	RMB	**RMB**	RMB
Revenue/trading income	**38,656,124**	35,142,160	**131,384,607**	66,296,219	**170,040,731**	101,438,379
Profit/(loss) for the year	**4,658,976**	(2,514,077)	**(120,899,182)**	(13,583,713)	**(116,240,206)**	(16,097,790)
Total comprehensive income/(loss)	**4,658,976**	(2,514,077)	**(112,738,907)**	(13,307,393)	**(108,079,931)**	(15,821,470)
Profit/(loss) allocated to non-controlling interests	**465,898**	(251,409)	**(11,533,783)**	(1,290,453)	**(11,067,885)**	(1,541,862)
Total comprehensive income/(loss) allocated to non-controlling interests	**465,898**	(251,409)	**(10,755,292)**	(1,264,203)	**(10,289,394)**	(1,515,612)
Cash inflows/(outflows) from operating activities	**18,838,984**	27,100,588	**13,620,667**	(112,001,627)	**32,459,651**	(84,901,039)
Cash outflows from investing activities	**–**	–	**(64,937,161)**	(36,412,506)	**(64,937,161)**	(36,412,506)
Cash (outflows)/inflows from financing activities	**(22,531,063)**	(20,126,123)	**50,428,028**	24,812,352	**27,896,965**	4,686,229
Net cash (outflows)/inflows	**(3,692,079)**	6,974,465	**(888,466)**	(123,601,781)	**(4,580,545)**	(116,627,316)
Current assets	**50,708,028**	37,672,248	**1,249,479,084**	545,715,281	**1,300,187,112**	583,387,529
Non-current assets	**108,588,889**	128,899,319	**449,127**	972,567	**109,038,016**	129,871,886
Current liabilities	**(21,190,716)**	(16,830,914)	**(1,274,170,332)**	(565,758,528)	**(1,295,361,048)**	(582,589,442)
Non-current liabilities	**(84,746,027)**	(101,039,454)	**(107,487,501)**	–	**(192,233,528)**	(101,039,454)
Net assets/(liabilities)	**53,360,174**	48,701,199	**(131,729,622)**	(19,070,680)	**(78,369,448)**	29,630,519
Accumulated non-controlling interests	**5,336,018**	4,870,120	**(12,567,007)**	(1,811,715)	**(7,230,989)**	3,058,405
Transfer to statutory reserve	**(87,227)**	(87,227)	**–**	–	**(87,227)**	(87,227)
	5,248,791	4,782,893	**(12,567,007)**	(1,811,715)	**(7,318,216)**	2,971,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVENTORIES

	2020 **RMB**	2019 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 assets 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.

Among the digital asset inventory balance, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling RMB2,130,207,059 (2019: RMB357,113,480) (Note 28). It also included the Group's proprietary inventories of RMB491,415,386 (2019: RMB89,448,271). The balance is measured at fair value through profit or loss (Note 2.13).

Net fair value gain of RMB7,442,604 (2019: net fair value loss of RMB689,398) from remeasurement of digital assets inventories at 31 December 2020, to the extent it is not offset by remeasurement of digital assets liabilities due to customers at the same date, is presented as part of the "income from digital assets and blockchain platform business" in the consolidated statement of profit or loss (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND BILLS RECEIVABLES

	2020 RMB	2019 RMB
Trade receivables from business park area management service	**4,944,147**	4,944,147
Less: loss allowance	**(4,944,147)**	(4,944,147)
Trade receivables from advertising business	**11,424,831**	19,358,453
Less: loss allowance	**(1,168,524)**	(4,751,459)
	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND BILLS RECEIVABLES *(Continued)*

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

The below table reconciled the impairment loss allowance which is related to trade receivables:

	2020	2019
	RMB	RMB
At the beginning of the year	**14,563,632**	6,574,751
(Reversal of provision)/provision for impairment of trade receivables in relation to advertising business *(Note 10)*	**(3,582,935)**	7,933,712
Provision for impairment of trade receivables in relation to digital assets and blockchain platform business *(Note 10)*	**1,294,919**	–
Write-off of provision for impairment	**(451,863)**	–
Currency translation differences	**(335,939)**	55,169
At the end of the year	**11,487,814**	14,563,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND BILLS RECEIVABLES *(Continued)*

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.3.

The carrying amounts of trade and bills receivables approximate their fair values and are denominated in the following currencies:

	2020 RMB	2019 RMB
USD	**7,171,790**	17,253,904
RMB	**10,256,307**	16,854,805
	17,428,097	34,108,709

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB	2019 RMB
Non-current		
Pledged deposits *(Note (a))*	–	105,058,604
Rental deposits	**16,292,114**	17,158,164
Interest receivable *(Note (b))*	–	96,772
Prepayments	**1,091,606**	–
	17,383,720	122,313,540
Current		
Pledged deposits *(Note (a))*	**126,070,932**	–
Interest receivable *(Note (b))*	**90,398**	110,895
Prepayments	**5,819,496**	8,233,972
Other receivables *(Note (c))*	**10,573,049**	13,773,353
Deposits	**5,851,781**	4,377,755
Rent incentive	**19,855,459**	16,816,530
	168,261,115	43,312,505
Less: Provision for impairment loss *(Note (d))*	**(8,045,422)**	(8,368,156)
Current, net	**160,215,693**	34,944,349
Total	**177,599,413**	157,257,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) As at 31 December 2020, the balance represented deposits paid to lenders as pledge for non-interest bearing borrowings, amounted to RMB126,070,932 (2019: RMB105,058,604) (Note 29(a)). As at 31 December 2020, the difference between the carrying amount and the principal amount of the pledged deposits paid, amounted to RMB4,477,364 (2019: RMB10,489,692) represented the imputed interest, which will be unwound over the corresponding loan period and recognised in "Finance cost, net" in the consolidated statement of profit and loss.

(b) As at 31 December 2020, the balance represented interest receivables arising from digital asset financing arrangements due from counterparties (Note 23). The interest is calculated in terms of unit of stablecoins on loans to counterparties and is receivable on the maturity date of the loans. The relevant stablecoin is asset-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principal and interest receivables is considered to be insignificant.

(c) As at 31 December 2020, the balance mainly represented (i) VAT receivables of RMB2,869,353 (2019: RMB3,357,107) paid by the PRC subsidiaries to offset VAT payables in the future and (ii) amounts due from an independent third party for developing the business in a foreign country totalling JPY89,500,000 (2020: equivalent to RMB5,434,773; and 2019: equivalent to RMB5,757,507), which was fully impaired during the year ended 31 December 2019.

(d) The below table reconciled the impairment loss on prepayments, deposits and other receivables:

	2020 **RMB**	2019 RMB
At the beginning of the year	**8,368,156**	2,610,649
Provision for impairment loss *(Note 10)*	**–**	5,672,587
Currency translation differences	**(322,734)**	84,920
At the end of the year	**8,045,422**	8,368,156

The Group recognised impairment loss based on the accounting policy stated in Note 2.11(d).

The carrying amounts of deposits and other receivables approximate their fair values and are denominated in the following currencies.

	2020 **RMB**	2019 RMB
HK$	**18,348,035**	18,409,279
USD	**1,216,270**	2,902,224
RMB	**158,035,108**	135,946,386
	177,599,413	157,257,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 INVENTORIES DUE FROM COUNTERPARTIES

	2020 **RMB**	2019 RMB
Inventories due from counterparties	**32,116,296**	24,361,958
Less: Non-current portion	**–**	(17,401,244)
Current portion	**32,116,296**	6,960,714

The balance represented the lending of the Group's digital assets to counterparties in terms of stablecoins being the loan principal. The loans are secured by collateral (as explained below) and they bear a fixed interest rate ranging from 6.5% to 9.5% per annum. The loan principal and interest thereon are repayable by delivery of the outstanding units of the stablecoins upon maturity date of the arrangements which fall within 1 year (2019: 2 years) from the end of the reporting period.

The relevant stablecoin are asset-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principals and interest receivables (included in "other receivables") is considered to be insignificant.

In relation to the above-mentioned loan arrangements, the Group requires the counterparties to deliver another type of digital assets (Bitcoin) to the Group as collateral at a level of ranging from 125% to 200% (2019: 125%) of loan principal in terms of fair value against the loan at inception. Additional collateral is required to be delivered to the Group at any time if the fair value of the digital assets collateral is less than or equal to a level ranging from 112.5% to 185% (2019: 115%) of loan principal such that collateral level will be maintained at individual initial required collateral level of the loan principal. Consequently, management believes credit risk associated with these loan receivables is low.

As at 31 December 2020, the Group received digital asset collateral with fair value of RMB151,513,578 from counterparties as collateral for the loans (2019: RMB31,906,302). The collateral was included in "inventories" (Note 20) as the Group is able to utilise the digital assets received for its own economic benefits, with a corresponding collateral payable due to the counterparties (Note 26(b)), both measured at fair value through profit or loss on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS

	2020 RMB	2019 RMB
Cash at bank	**348,488,642**	191,109,932
Cash on hand	**415,731**	742,443
Total	**348,904,373**	191,852,375
Maximum exposure to credit risk	**348,488,642**	191,109,932

The cash and cash equivalents of RMB41,376,806 (2019: RMB58,851,790) are located in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks and other financial institutions with no recent history of default.

The carrying amounts of cash and cash equivalent approximate their fair values and are denominated in the following currencies.

	2020 RMB	2019 RMB
HK$	**28,169,245**	2,289,744
USD	**279,032,281**	129,001,797
RMB	**41,339,979**	58,826,677
Others	**362,868**	1,734,157
	348,904,373	191,852,375

As at 31 December 2020, included in the cash and cash equivalents balance is a total of RMB233,668,217 (2019: RMB139,075,714) (see Note 28) related to fiat currency owing to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 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 RMB	2019 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

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies.

	2020 RMB	2019 RMB
USD	**28,912,083**	3,869,912
RMB	**14,524,285**	37,373,780
	43,436,368	41,243,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACCRUALS AND OTHER PAYABLES AND COLLATERAL PAYABLES

(a) Accruals and other payables

	2020 RMB	2019 RMB
Non-current		
Deposits received related to business park area management services	**9,340,787**	9,340,787
Interest payables related to inventories borrowed from counterparties *(Note (ii))*	**376,995**	–
Provision for reinstatement costs	**4,264,872**	4,107,394
	13,982,654	13,448,181
Current		
Other payables and accruals *(Note (i))*	**39,306,572**	37,983,301
Interest payables related to inventories borrowed from counterparties *(Note (ii))*	**1,368,539**	67,969
Interest payables related to other borrowings	**1,682,571**	9,135,062
Provision for sales rebates	**–**	3,799,444
Provision for reinstatement cost	**–**	302,970
	42,357,682	51,288,746
	56,340,336	64,736,927

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies.

	2020 RMB	2019 RMB
RMB	**22,156,657**	24,254,981
USD	**4,052,388**	12,412,998
HK$	**30,131,291**	28,068,948
	56,340,336	64,736,927

Notes:

(i) As at 31 December 2020, the balance included accrued directors' fee and salaries of RMB11,460,556 (2019: RMB9,109,478), accrued professional fee of RMB10,759,250 (2019: RMB10,639,288) and other tax payables of RMB2,110,204 (2019: RMB1,249,352).

(ii) As at 31 December 2020, the balance included interest payables of RMB1,745,534 (2019: RMB67,969) in relation to the inventories borrowed from counterparties, of which RMB1,285,908 (2019: Nil) referred to the interest payables with BTC-denominated principals.

The remaining balance amounted to RMB459,626 (2019: RMB67,969) is calculated in terms of unit of stablecoins on inventories borrowed from counterparties. The relevant stablecoin is asset-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principals and interest payables is considered to be insignificant. The interest is repayable on the maturity date of the borrowings.

Information about the Group's exposure to price risk of these interest payables can be found in Note 3.3(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACCRUALS AND OTHER PAYABLES AND COLLATERAL PAYABLES *(Continued)*

(b) Collateral payables

Save as disclosed in Note 23, the balances represent the digital asset collateral received as a security for the digital asset lending arrangements with the counterparties. The collateral will be returned to the counterparties upon settlement of the loans at respective maturity dates:

	2020 **RMB**	2019 RMB
Non-current	**–**	22,698,517
Current	**151,513,578**	9,207,785
	151,513,578	31,906,302

27 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 **RMB**	2019 RMB
Right-of-use assets *(Note)*		
Properties	**129,285,275**	168,065,020
Lease liabilities *(Note)*		
Non-current	**128,092,688**	166,735,799
Current	**32,159,871**	29,808,175
	160,252,559	196,543,974

Note: Included in the line item 'property, plant and equipment' and 'lease liabilities' in the consolidated statement of financial position:

During the year ended 31 December 2020, there was no addition to the right-of-use assets (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2020 RMB	2019 RMB
Depreciation charge of right-of-use assets		
Properties *(Note 10)*	**31,979,570**	39,023,975

	2020 RMB	2019 RMB
Interest expense on lease liabilities *(Note 9)*	**21,641,464**	25,475,840
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 10)*	**3,172,801**	3,402,342
	24,814,265	28,878,182

Notes:

(i) The total cash outflows for leases during the year ended 31 December 2020 was RMB53,663,441 (2019: RMB60,904,806).

(ii) During the year ended 31 December 2020, right-of use assets and lease liabilities decreased by RMB2,744,284 as a result of lease modification (2019: Nil).

28 LIABILITIES DUE TO CUSTOMERS

	2020 RMB	2019 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 LIABILITIES DUE TO CUSTOMERS *(Continued)*

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".

29 BORROWINGS

	2020 **RMB**	2019 RMB
Non-current		
Secured borrowings *(Note (a))*	**53,743,754**	115,580,353
Unsecured borrowings *(Note (b))*	**6,750,486**	147,317,796
Inventories borrowed from counterparties *(Note (c))*	**6,547,676**	–
	67,041,916	262,898,149
Current		
Secured borrowings *(Note (a))*	**157,259,484**	49,192,072
Unsecured borrowings *(Note (b))*	**88,765,188**	18,476,975
Inventories borrowed from counterparties *(Note (c))*	**164,797,794**	7,656,549
	410,822,466	75,325,596
Total other borrowings	**477,864,382**	338,223,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS *(Continued)*

Note:

(a) The balance of secured borrowings included:

(i) As at 31 December 2020, borrowings of RMB123,285,970 (2019: RMB115,580,353) are provided by third party individuals with a total principal amount of approximately HK$151,293,500 (equivalent to RMB127,663,066) (2019: HK$142,206,000 (equivalent to RMB127,120,599)). The borrowings are dominated in HK$, interest-free (2019: interest-free), repayable in 7 months (2019: 19 months) from the year end date and secured by deposits denominated in RMB amounted to RMB126,070,932 (2019: RMB105,058,604) (Note 22(a)). As at 31 December 2020, the differences between the carrying amount and the principal amount of the loans, amounted to RMB4,377,096 (2019: RMB11,540,246) represented the imputed interests, which will be unwound over the loan period and recognised in "Finance costs, net" in the consolidated statement of profit or loss and other comprehensive income.

(ii) As at 31 December 2020, borrowings provided by a non-Financial institution, with a principal of USD13,410,097 (equivalent to RMB87,717,268) (2019: USD4,696,801 (equivalent to RMB32,692,072)). These borrowings were denominated in USD, interest bearing at a fixed rate ranging from 3% to 4% per annum (2019: 6% per annum), repayable ranging from 12 months to 21 months (2019: 12 months) from the year end date and secured by 2,090 BTC (2019: 881 BTC) as collateral (the "Pledged Collateral"). Under the terms of the pledge agreement, the right, title, ownership and interest in the Pledged Collateral transfers to the lender for the duration of that loan. The pledge shall terminate and the right, title, ownership and the interest in the Pledged Collateral shall revert to the Group when the loan is repaid in full.

(b) The balance of unsecured borrowings included:

(i) As at 31 December 2019, borrowings were provided by related companies which are wholly owned by Mr. Ko Chun Shun, Johnson, an executive director of the Company, with total principal of HK$132,000,000 (equivalent to RMB117,997,265). The borrowings were denominated in HK$, unsecured, interest bearing at 8% per annum, and repayable in 12 months from the year end date.

During the year ended 31 December 2020, these borrowings were partially repaid and the unsettled borrowings amounted to HK$56,000,000 (equivalent to RMB47,253,396) were reassigned to Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon who are the executive directors of the Company, and Ms. Cheng Wan Gi who is an executive director of the ultimate holding company of the Company, in an equal portion. As at 31 December 2020, the outstanding amounts of these borrowings were HK$28,000,000 (equivalent to RMB23,626,699), which were denominated in HK$, unsecured, interest bearing at 6% per annum, and repayable in 12 months from the year end date (Note 35(b)).

(ii) As at 31 December 2020, a borrowing was provided by a related company which is wholly owned by Mr. Ko Chun Shun, Johnson, an executive director of the Company, with a principal of HK$56,000,000 (equivalent to RMB47,253,396). The borrowing was denominated in HK$, unsecured, interest bearing at 8% per annum, and repayable in 12 months from the year end date (Note 35(b)).

(iii) As at 31 December 2020, a borrowing was provided by a non-financial institution which is controlled by Mr. Fang Bin, the former executive director of the Company, with a principal of HK$21,195,421 (equivalent to RMB17,885,093) (2019: HK$21,195,421 (equivalent to RMB18,476,975)). The borrowing was denominated in HK$, unsecured, interest bearing at 8% per annum (2019: Interest-free), and repayable in 6 months (2019: 5 months) from the year end date.

(iv) As at 31 December 2020, a borrowing was provided by an independent third party, with a total principal of HK$8,000,000 (equivalent to RMB6,750,486) (2019: Nil). The borrowing was denominated in HK$, unsecured, interest bearing at 8% per annum (2019: Nil), and repayable in 13 months (2019: Nil) from the year end date.

(c) Inventories borrowed from counterparties included:

(i) As at 31 December 2020, certain inventories borrowed from counterparties were provided by non-financial institutions, with asset-backed stablecoins and BTC being the loan principal, amounted to USD3,003,000 (equivalent to RMB19,643,030) (2019: US$1,100,000 (equivalent to approximately RMB7,656,549)) and USD14,495,040 (equivalent to RMB94,814,025) respectively. These borrowings were unsecured and interest bearing at a fixed rate ranging from 3.3% to 8.0% per annum (2019: 4.3% to 5.5% per annum) and repayable in 12 months and 16 months (2019: 12 months) from the year end date.

(ii) As at 31 December 2020, certain inventories borrowed from counterparties, with BTC being the loan principal, amounted to USD8,697,024 (equivalent to RMB56,888,415) were provided by a related company which the executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the lender. These borrowings were unsecured, interest bearing at a fixed rate ranging from 3.0%–3.25% per annum, and repayable in 12 months from the year end date (Note 35(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS *(Continued)*

The following table is prepared based on the scheduled repayment date set out in the relevant agreement:

	2020 **RMB**	2019 RMB
Within 1 year	**410,822,466**	75,325,596
Between 1 and 2 years	**67,041,916**	262,898,149
	477,864,382	338,223,745

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **RMB**	2019 RMB
Convertible note *(Note (a))*	–	13,524,247
Warrant *(Note (b))*	–	6,054,129
	–	19,578,376
Less: Non-current portion	–	(6,054,129)
Current portion	–	13,524,247

Note:

(a) **Convertible note**

On 14 December 2018, OS Holdings Limited ("OSHL"), a non-wholly owned subsidiary of the Company, entered into a subscription agreement with an independent third party ("Note Holder") in relation to a convertible note ("2018 Convertible Note") with a coupon rate of 5% per annum in an aggregate principal amount of USD2,000,000 (equivalent to RMB13,763,235).

Since the conversion feature of the 2018 Convertible Note fails the fixed to fixed requirement for equity classification, the conversion feature should be recognised as a derivative liability. The Group decided to designate the entire hybrid instrument of 2018 Convertible Note as a financial liability at fair value through profit or loss, since the 2018 Convertible Note of OSHL contain embedded derivatives that are not closely related to the host contract. The 2018 Convertible Note was measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Note: (Continued)

(a) Convertible note *(Continued)*

On 6 July 2020, the Company, OSHL and the Note Holder entered into a subscription agreement whereby OSHL repurchased the 2018 Convertible Note from the Note Holder at a consideration of USD2,076,923 which was settled by way of issuance of a new convertible note ("2020 Convertible Note") by the Company. The 2020 Convertible Note is matured on 31 December 2021 with a coupon rate of 5% per annum in an aggregate principal amount of HK$15,600,000 (equivalent to RMB13,583,252). Subject to the terms of the 2020 Convertible Note, the Note Holder may convert all or part of the principal amount outstanding under the 2020 Convertible Note into ordinary shares of the Company at a conversion price of HK$9.52 before the maturity date.

Since the conversion features of the 2020 Convertible Note fulfills the fixed to fixed requirement for equity classification and are not closely related to host contract, the Group decided to account for the debt host contract and conversion features separately. The debt host contract amounted to HK$15,497,000 (equivalent to approximately RMB14,259,929) was measured at amortised cost; whereas the conversion features amounted to HK$546,000 (equivalent to approximately RMB494,901) were initially measured at fair value and recognised in shareholder's equity.

On 23 December 2020, the Note Holder exercised the conversion right to fully convert the 2020 Convertible Note into 1,638,655 ordinary shares of the Company at the conversion price of HK$9.52 per share (see Note 32(c) for further details).

(b) Warrant

On 14 December 2018, BC MarketPlace Limited ("BCMP"), a wholly owned subsidiary of the Company, entered into a subscription agreement with an independent third party (the "Subscriber") in relation to the subscription of a warrant of BCMP ("2018 Warrant"). Under the agreement, BCMP issued the warrant to the Subscriber at a price of USD1,000,000 (equivalent to RMB6,881,617).

Since the conversion feature of the 2018 Warrant fails the fixed to fixed requirement for equity classification, the warrant is recognised as a derivative liability. The Group has chosen to designate the entire hybrid instrument of 2018 Warrant as a financial liability at fair value through profit or loss, since the 2018 Warrant of the BCMP contains embedded derivatives that are not closely related to the host contract. The 2018 Warrant was measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

On 6 July 2020, the Company, BCMP and the Subscriber entered into a subscription agreement whereby BCMP repurchased the 2018 Warrant from the Subscriber at HK$7,800,000 (equivalent to RMB7,104,178) which was settled by way of issuance of 1,051,213 ordinary shares of the Company at the subscription price of HK$7.42 per share to the Subscriber (see Note 32(b)(ii) for further details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follow:

	2020 RMB	2019 RMB
Deferred income tax assets	**3,718,149**	3,288,202
Deferred income tax liabilities	**(7,580,477)**	(9,503,404)

The movement of deferred income tax assets during the year is as follows:

Deferred income tax assets

	Leases under IFRS 16 RMB	**Provision of impairment for financial assets and contract assets** RMB	**Total** RMB
At 1 January 2019	1,123,610	784,791	1,908,401
Credited to profit or loss	923,497	456,304	1,379,801
At 31 December 2019 and 1 January 2020	**2,047,107**	**1,241,095**	**3,288,202**
Credited to profit or loss	**429,947**	**–**	**429,947**
At 31 December 2020	**2,477,054**	**1,241,095**	**3,718,149**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DEFERRED INCOME TAX *(Continued)*

The movement of deferred income tax liabilities during the year is as follows:

Deferred income tax liabilities

	Accumulated depreciation of property, plant and equipment RMB	Fair value surplus in respect of business combination RMB	Total RMB
At 1 January 2019	(2,396,315)	(7,799,451)	(10,195,766)
(Charged)/credited to profit or loss	(374,637)	1,114,208	739,571
Currency translation differences	(47,209)	–	(47,209)
At 31 December 2019 and 1 January 2020	**(2,818,161)**	**(6,685,243)**	**(9,503,404)**
Credited to profit or loss	**681,437**	**1,114,208**	**1,795,645**
Currency translation differences	**127,282**	**–**	**127,282**
At 31 December 2020	**(2,009,442)**	**(5,571,035)**	**(7,580,477)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of RMB575,323,228 (2019: RMB432,576,509) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation. Such tax losses have no expiry date, except for the tax losses amounted to RMB81,400,058 (2019: RMB80,134,774) which will be expired within 5 years.

As at 31 December 2020 and 2019, no deferred income tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC. The unremitted earnings are to be used for reinvestment. The income tax liabilities are not recognised where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SHARE CAPITAL

	2020 Number of shares	2020 RMB	2019 Number of shares	2019 RMB
Authorised:				
Ordinary shares of HK$0.01 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 *(Notes a and b)*	**49,164,687**	**442,528**	22,876,360	201,745
Issuance of new shares upon 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 HK$6.5 per share to 7 subscribers. Upon the issuance of the shares, HK$431,000 (equivalent to approximately RMB387,761) was credited to share capital and HK$279,719,000 (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 HK$5 per share. Upon the issuance of the shares, HK$228,764 (equivalent to approximately RMB201,745) was credited to share capital and HK$114,153,036 (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 HK$0.01 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 providing similar services for providing services to the Group. The Board applied HK$50,135 (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 HK$7,800,000 (equivalent to RMB7,104,178) and the subscription consideration was used to set off against the repurchase costs of the warrant issued during the year ended 31 December 2018. Consequently, HK$10,512 (equivalent to approximately RMB9,574) was credited to share capital and HK$7,789,488 (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 2020 Convertible Note into 1,638,655 ordinary shares of the Company at a conversion price of HK$9.52 per share. Consequently, HK$16,386 (equivalent to RMB13,827) was credited to share capital and HK$16,281,117 (equivalent to 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 providing similar services for providing services to the Company and its subsidiaries. Consequently, HK$13,338 (equivalent to approximately RMB11,546) was credited to share capital and HK$14,830,232 (equivalent to approximately RMB14,552,554) was credited to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 OTHER RESERVES

The breakdown of other reserves and the movements during the year are shown as follows:

	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Share-based payments reserve RMB	Convertible note reserve RMB	Total RMB
At 1 January 2019	212,786,990	3,278,827	(3,088,619)	15,238,857	18,022,465	–	246,238,520
Currency translation difference	–	–	(4,436,632)	–	–	–	(4,436,632)
Total comprehensive loss	–	–	(4,436,632)	–	–	–	(4,436,632)
Issuance of new shares *(Note 32)*	100,670,711	–	–	–	–	–	100,670,711
Share award vested	492,330	–	–	–	(492,330)	–	–
Equity-settled share-based payments under share option scheme	–	–	–	–	22,341,974	–	22,341,974
Equity-settled share-based payments under share award scheme	–	–	–	–	25,407,189	–	25,407,189
At 31 December 2019	**313,950,031**	**3,278,827**	**(7,525,251)**	**15,238,857**	**65,279,298**	**–**	**390,221,762**
Currency translation difference	–	–	758,192	–	–	–	758,192
Total comprehensive loss	–	–	758,192	–	–	–	758,192
Issuance of new shares *(Note 32)*	258,706,612	–	–	–	–	–	258,706,612
Issuance of a convertible note *(Note 30 (a))*	–	–	–	–	–	494,901	494,901
Issuance of new shares upon conversion of a convertible note *(Note 32)*	13,738,180	–	–	–	–	(494,901)	13,243,279
Equity-settled share-based payments under share option scheme *(Note 39)*	–	–	–	–	37,323,148	–	37,323,148
Equity-settled share-based payments under share award scheme *(Note 38)*	–	–	–	–	47,558,187	–	47,558,187
Exercise of share options *(Note 32)*	14,552,554	–	–	–	(5,263,378)	–	9,289,176
Share awards vested *(Note 38)*	58,378,971	–	–	–	(58,378,971)	–	–
Equity-settled share-based payments for a warrant *(Note 10(a))*	–	–	–	–	91,910,449	–	91,910,449
Transfer from retained earnings to statutory reserve	–	–	–	719,968	–	–	719,968
At 31 December 2020	**659,326,348**	**3,278,827**	**(6,767,059)**	**15,958,825**	**178,428,733**	**–**	**850,225,674**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 OPERATING LEASE ARRANGEMENTS — AS LESSOR

As at 31 December 2020 and 2019, some of the Group's properties are leased to tenants under long-term operating leases with rentals payable monthly. The future aggregate minimum lease receipts under non-cancellable operating leases receivables by the Group were as follows:

	2020	2019
	RMB	RMB
Minimum lease payments under non-cancellable operating leases of properties not recognised in the financial statements are receivable as follows:		
Within one year	**37,412,916**	33,765,852
Later than one year but no later than five years	**176,063,550**	166,141,639
Later than 5 years	**–**	47,334,827
	213,476,466	247,242,318

35 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

	Year ended 31 December	
	2020	2019
	RMB	RMB
Interest expenses accrued on borrowings from related companies of a director *(Note (i))*	**2,667,291**	4,739,748
Interest expenses accrued on borrowings from directors and a related party *(Note (ii))*	**470,168**	–
Interest expenses accrued on inventories borrowed from a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (iii))*	**265,185**	–
Income from digital assets trading with Mr. Chapman David James *(Note (iv))*	**224,034**	–
Income from digital assets trading with Mr. Madden Hugh Douglas *(Note (iv))*	**251,949**	–
Income from digital assets trading with Mr. Lo Ken Bon *(Note (iv))*	**85,467**	–
Income from digital assets trading with a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (v))*	**7,803**	–
	3,971,897	4,739,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

Notes:

(i) The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned. An executive director of the Company, Mr. Ko Chun Shun Johnson, is also the sole owner of the related companies.

(ii) The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned. The executive directors of the Company, Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon and an executive director of the ultimate holding company of the Company, Ms. Cheng Wan Gi, are the lenders of such transactions.

(iii) The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned under the Digital Asset Loan Agreement. The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the related company.

(iv) The above executive directors are regarded as counterparties as the Group has a contractual relationship with them governed by the DATA in the ordinary course of the Group's digital asset trading business.

(v) The related company is regarded as a counterparty governed by the DATA in the ordinary course of the Group's digital asset trading business. The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the related company.

(b) Balances with related parties

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material balances with its directors and related parties:

	2020 RMB	2019 RMB
Fiat currency and digital asset liabilities		
Amount due to Mr. Chapman David James *(Note (i))*	**117,602,506**	3,098,650
Amount due to Mr. Madden Hugh Douglas *(Note (i))*	**2,886,586**	3,535,192
Amount due to Mr. Lo Ken Bon *(Note (i))*	**12,106,844**	3,110,156
Amount due to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Notes (i) and (ii))*	**60,703,327**	22,991,899
Amount due to a related company of Mr. Madden Hugh Douglas *(Notes (i) and (iii))*	**84,758,020**	37,051,810
	278,057,283	69,787,707
Borrowing and interest payable		
Amount due to Mr. Chapman David James *(Note (iv))*	**6,335,343**	–
Amount due to Mr. Madden Hugh Douglas *(Note (iv))*	**6,335,343**	–
Amount due to Mr. Lo Ken Bon *(Note (iv))*	**6,335,343**	–
Amount due to Ms. Cheng Wan Gi *(Note (iv))*	**6,335,343**	–
Inventories borrowed from and its interest payable to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (v))*	**57,481,636**	–
Amounts due to related companies of Mr. Ko Chun Shun, Johnson *(Note (vi))*	**47,315,537**	122,807,968
	130,138,545	122,807,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

Notes:

(i) The above executive directors/related companies are regarded as counterparties which the Group has a contractual relationship with them governed by the DATA in the ordinary course of the Group's digital asset trading business.

Based on the respective rights and obligations of the Group and its counterparties under the DATA, fiat currency and digital assets held by the Group in the customers' accounts are recognized as the Group's assets with a corresponding liability due to the customers. Refer to Note 28 to the consolidated financial statements for details.

(ii) The related company is a counterparty of the Group's digital assets trading business governed by the DATA. The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the related company.

(iii) The other related company is a counterparty of the Group's digital assets trading business governed by the DATA. The executive director of the Company, Mr. Madden Hugh Douglas, is also the director of the related company.

(iv) The borrowings, which are unsecured, interest bearing at 6% per annum and repayable in 12 months from the year end date, have been reassigned by a related company controlled by an executive director of the Company, Mr. Ko Chun Shun, Johnson during the year to the executive directors of the Company, Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon, and an executive director of the ultimate holding company of the Company, Ms. Cheng Wan Gi.

(v) The borrowing is unsecured, interest bearing at 3% per annum and due in accordance with the terms of the underlying Digital Asset Loan Agreement. The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the lender.

(vi) The borrowings are unsecured, interest bearing at 6% per annum and due in accordance with the terms of the underlying agreements.

(c) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the executive directors as disclosed in Note 12 to the consolidated financial statements, and other senior management is as follows:

	2020 **RMB**	2019 RMB
Salaries, allowances and benefits in kinds	**19,544,621**	12,553,248
Pension scheme contributions	**127,909**	85,240
Share-based compensation	**39,968,433**	11,650,568
	59,640,963	24,289,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to cash generated from operations:

	2020 RMB	2019 RMB
Loss before income tax		
Continuing operations	**(258,978,639)**	(246,655,587)
Discontinued operations	**1,876,983**	(44,579)
Loss before income tax, from continuing and discontinued operations	**(257,101,656)**	(246,700,166)
Adjustments for:		
Amortisation of intangible assets *(Note 10)*	**10,767,778**	8,197,399
Depreciation of property, plant and equipment *(Note 10)*	**42,177,706**	48,598,089
Total finance income *(Note 9)*	**(9,195,553)**	(22,370,326)
Total finance costs *(Note 9)*	**43,770,099**	62,463,116
Loss on write-off of intangible assets *(Note 8)*	**–**	60,630
Loss on disposals of property, plant and equipment *(Note 8)*	**164,663**	449,759
Loss on dissolution of subsidiaries *(Note 8)*	**22,060**	–
Gain on termination of lease contracts *(Note 8)*	**–**	(315,440)
Fair value changes of financial liabilities through profit or loss *(Note 8)*	**1,776,948**	(1,292,809)
Net fair value (gain)/loss on digital asset inventories and liabilities *(Note 7)*	**(7,442,604)**	689,398
Provision for impairment of contract assets *(Note 6(b))*	**121,443**	365,438
(Reversal of provision)/provision for impairment of trade receivables *(Note 21)*	**(2,288,016)**	7,933,712
Provision for impairment of other receivables *(Note 22)*	**–**	5,672,587
Share-based payment expenses	**176,791,784**	47,749,163
Operating losses before working capital changes	**(435,348)**	(88,499,450)
Change in trade and bills receivables	**19,455,206**	(29,924,481)
Change in prepayments, deposits and other receivables	**(7,592,750)**	3,684,598
Change in inventories	**(118,982,652)**	(58,512,456)
Change in contract assets	**22,958,056**	21,233,843
Change in contract liabilities	**3,396,913**	1,842,303
Change in trade payables	**4,990,959**	6,648,253
Change in accruals, other payables and deposits received	**(14,603,515)**	14,030,916
Change in liabilities due to customers	**56,536,043**	(65,652,931)
Cash used in operations	**(34,277,088)**	(195,149,405)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings *(Note 29)* RMB	Financial liabilities at fair value through profit or loss *(Note 30)* RMB	Lease liabilities *(Note 27)* RMB	Total RMB
At 1 January 2019	236,962,651	20,620,230	229,157,510	486,740,391
Cash flows:				
— inflow from financing activities	462,478,306	–	–	462,478,306
— outflow from financing activities	(285,340,183)	–	(32,026,624)	(317,366,807)
Imputed interest income	(11,833,110)	–	–	(11,833,110)
A borrowing off-set by allotment of new shares	(88,073,394)	–	–	(88,073,394)
Termination of lease	–	–	(2,634,062)	(2,634,062)
Imputed interest expense	11,415,696	–	–	11,415,696
Additional of inventory borrowed from counterparties	16,301,208	–	–	16,301,208
Repayment of inventory borrowed from counterparties	(9,377,385)	–	–	(9,377,385)
Revaluation loss of inventory borrowed from counterparties	665,813	–	–	665,813
Fair value changes	–	(1,292,809)	–	(1,292,809)
Currency translation differences	5,024,143	250,955	2,047,150	7,322,248
At 31 December 2019	338,223,745	19,578,376	196,543,974	554,346,095
At 1 January 2020	**338,223,745**	**19,578,376**	**196,543,974**	**554,346,095**
Cash flows:				
— inflow from financing activities	**186,543,931**	**–**	**–**	**186,543,931**
— outflow from financing activities	**(174,644,838)**	**–**	**(28,849,176)**	**(203,494,014)**
Reassignment of loans *(Note 36(d)(vi))*	**(24,871,203)**	**–**	**–**	**(24,871,203)**
Imputed interest income	**(927,066)**	**–**	**–**	**(927,066)**
Modification of lease	**–**	**–**	**(2,744,284)**	**(2,744,284)**
Imputed interest expense	**8,253,795**	**–**	**–**	**8,253,795**
Additional of inventory borrowed from counterparties	**301,571,172**	**–**	**–**	**301,571,172**
Repayment of inventory borrowed from counterparties	**(244,521,090)**	**–**	**–**	**(244,521,090)**
Revaluation loss of inventory borrowed from counterparties	**115,840,151**	**–**	**–**	**115,840,151**
Repurchase of the 2018 Convertible Note *(Note 36(d)(i))*	**14,259,929**	**(14,754,830)**	**–**	**(494,901)**
Issuance of new shares upon conversion of the 2020 Convertible Note *(Note 36(d)(vii))*	**(13,752,007)**	**–**	**–**	**(13,752,007)**
Repurchase of the 2018 Warrant *(Note 36(d)(ii))*	**–**	**(7,104,178)**	**–**	**(7,104,178)**
Fair value changes	**–**	**1,776,948**	**–**	**1,776,948**
Currency translation differences	**(28,112,137)**	**503,684**	**(4,697,955)**	**(32,306,408)**
At 31 December 2020	**477,864,382**	**–**	**160,252,559**	**638,116,941**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) In the consolidated statements of cash flows, proceeds from disposal of property and equipment comprise:

	2020 RMB	2019 RMB
Net book value *(Note 17)*	**307,464**	551,258
Loss on disposals of property, plant and equipment *(Note 8)*	**(164,663)**	(449,759)
Proceeds from the disposal of property, plant and equipment	**142,801**	101,499

(d) Non-cash transactions

The Group entered into the following major non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

(i) During the year ended 31 December 2020, the 2018 Convertible Note amounted to RMB14,259,259 was repurchased by the Group through the issuance of the 2020 Convertible Note by the Company (Note 30(a)).

(ii) During the year ended 31 December 2020, the 2018 Warrant amounted to HK$7,800,000 (equivalent to RMB7,104,178) was repurchased by the Group through the issuance of 1,051,213 new ordinary shares of the Company (Note 30(b)).

(iii) During the year, the non-cash working capital changes of digital assets and liabilities as follows:

	2020 RMB	2019 RMB
Digital asset inventories held on customers' accounts	**1,773,093,579**	176,599,688
Inventories due from counterparties	**(7,754,338)**	(24,361,958)
Collateral payable to counterparties	**119,607,276**	31,906,302
Inventories borrowed from counterparties	**163,688,921**	7,656,549
	2,048,635,438	191,800,581

(iv) As at 31 December 2020, interest expense of RMB1,745,524 (2019: RMB67,969) was outstanding as they were due upon the maturity of the loan agreements and the balances were net off with the working capital changes of other payables.

(v) As at 31 December 2020, interest income of RMB90,398 (2019: RMB207,667) was outstanding as they were receivable upon maturity of the loan agreements and the balances were net off with the working capital changes of other receivables.

(vi) During the year ended 31 December 2020, borrowings of HK$28,000,000 (equivalent to RMB24,871,203) due to Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon, who are the executive directors of the Company, and Ms. Cheng Wan Gi, who is an executive director of the ultimate holding company of the Company was settled by way of topping up their corresponding trading accounts under OS Limited.

(vii) During the year ended 31 December 2020, the company issued 1,638,655 new ordinary shares upon the Note Holder exercised the conversion right of the 2020 Convertible Note amounted to HK$15,600,000 (equivalent to approximately RMB13,752,007).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	2020 RMB	2019 RMB
Financial assets at amortised cost		
Contract assets (excluding costs to fulfill revenue contracts) *(Note 6(b))*	**2,157,798**	26,431,193
Trade and bills receivables *(Note 21)*	**17,428,097**	34,108,709
Prepayments, deposits and other receivables (excluding prepayments, other tax receivables and interest receivables arising from inventories due from counterparties) *(Note 22)*	**167,728,560**	145,271,036
Cash and cash equivalents *(Note 24)*	**348,904,373**	191,852,375
	536,218,828	397,663,313
Financial liabilities measured at amortised cost		
Trade payables *(Note 25)*	**43,436,368**	41,243,692
Accruals, other payables and deposits received (excluding employee benefits payables, other tax payables, and non-financial interest payable) *(Note 26)*	**41,024,042**	55,338,463
Lease liabilities *(Note 27)*	**160,252,559**	196,543,974
Borrowings (excluding inventories borrowed from counterparties) *(Note 29)*	**306,518,912**	330,567,196
	551,231,881	623,693,325
Financial liabilities at fair value through profit or loss		
Liabilities due to customers *(Note 28)*	**2,363,875,276**	496,189,194
Financial liabilities at fair value through profit or loss *(Note 30)*	**–**	19,578,376
	2,363,875,276	515,767,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SHARE AWARD SCHEME

Tricor Trust (HK) Limited, a company incorporated in Hong Kong and authorised to undertake trust business in accordance with the laws of Hong Kong, was appointed as the trustee (the "Trustee") for the administration of the share award scheme. The Trustee will hold the shares on trust for the selected participants. The Trustee and its ultimate beneficial owners are third parties independent of, and not connected with, the Group or its connected persons.

The Group shall pay the Trustee service fee and reimburse its proper expenses incurred in the operation of the trust under the trust deed. The service fees to be paid to the Trustee are determined after considering the service fees to be charged by other independent trustee companies and on arm's length negotiations between the Group and the Trustee.

The aggregate number of Awarded shares currently permitted to be awarded under the share award scheme throughout the duration of the share award scheme is limited to 5% of the issued share capital of the Company to be refreshed by the Board from time to time subject to the approval of the shareholders in general meeting.

Under the share award scheme, the employees and consultants providing similar services of the Group ("Selected Participants") are entitled to receive shares in the Company. New shares have been allotted and issued by the Company to the Trustee which holds the shares for the benefits of the Selected Participants before the share awards are vested.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded shares to that Selected Participant employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded shares and further shares of the Company acquired out of the income derived therefrom.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SHARE AWARD SCHEME *(Continued)*

During the year ended 31 December 2020, 5,013,474 (2019: nil) new Awarded shares were allotted and issued to the Trustee. Out of 5,013,474 Awarded shares, 2,192,649 Awarded shares have been vested on 4 September 2020 (2019: nil). The remaining balance of 1,527,450, 431,125, 431,125 and 431,125 Awarded shares will be vested on 4 September 2021, 4 September 2022, 4 September 2023 and 4 September 2024 respectively.

Award type	Outstanding at 1 January 2019	Issued during the year	Forfeited during the year	Regrant during the year	Vested during the year	Outstanding at 31 December 2019
Share award grant	9,836,474	–	(2,920,500)	2,920,500	(100,000)	9,736,474

Award type	**Outstanding at 1 January 2020**	**Issued during the year**	**Forfeited during the year**	**Regrant during the year**	**Vested during the year**	**Outstanding at 31 December 2020**
Share award grant	**9,736,474**	**5,013,474**	**(711,684)**	**383,245**	**(8,266,063)**	**6,155,446**

The Group recognised an expense of approximately RMB47,558,187 (2019: RMB25,407,189) for the year ended 31 December 2020 in relation to share award granted by the Company.

During the year ended 31 December 2020, the vesting condition of 8,266,063 (2019: 100,000) Awarded shares was satisfied, and HK$65,723,046 (equivalent to RMB58,378,971) (2019: HK$559,000 (equivalent to RMB492,330)) was transferred from share-based payments reserve to share premium in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SHARE OPTION SCHEME

On 10 April 2012, the Group has adopted the share option scheme (the "Scheme"). The Scheme is for a period of ten years commencing from 10 April 2012 whereby the Directors at its absolute discretion grant any employee and director of our Group, to take up options to subscribe for shares of the Company. The terms and conditions of the grant were determined by the Directors at the time of grant. The exercisable period of an option shall not exceed a period of ten years from the offer date. The options gave the holder the rights to subscribe for ordinary shares in the Company. A nominal consideration of HK$1.00 was payable by the grantee upon acceptance of an option. Options were lapsed in three months if the employee leaves the Group.

On 22 August 2018, 10 December 2018, 18 January 2019, 15 January 2020, 12 June 2020 and 13 August 2020, the Company offered to grant a total of 16,715,556 share options (the "2018 Share Option 1"), 433,333 share options (the "2018 Share Option 2"), 2,851,111 share options (the "2019 Share Option"), 1,700,000 share options (the "2020 Share Option 1"), 21,300,000 share options (the "2020 Share Option 2") and 1,838,500 share options (the "2020 Share Option 3") respectively under the Scheme, to certain directors and eligible employees of the Group pursuant to the Scheme. The details of these share options are summarised as follows:

		2018 Share Option 1		2018 Share Option 2		2019 Share Option		2020 Share Option 1	
	% of the total share options	Vesting period	Exercise period	Vesting period	Exercise period	Vesting period	Exercise period	Vesting period	Exercise period
Tranche 1	two-third	22 August 2018 to 22 August 2020	22 August 2020 to 21 August 2023	10 December 2018 to 22 August 2020	22 August 2020 to 21 August 2023	18 January 2019 to 22 August 2020	22 August 2020 to 21 August 2023	15 January 2020 to 22 August 2020	22 August 2020 to 21 August 2023
Tranche 2	one-third	22 August 2018 to 22 August 2021	22 August 2021 to 21 August 2023	10 December 2018 to 22 August 2021	22 August 2021 to 21 August 2023	18 January 2019 to 22 August 2021	22 August 2021 to 21 August 2023	15 January 2020 to 22 August 2021	22 August 2021 to 21 August 2023

		2020 Share Option 2	
	% of the total share options	Vesting period *(Note)*	Exercise period
Tranche 1	33.6%	12 June 2020 to 22 August 2021	22 August 2021 to 22 August 2025
Tranche 2	33.4%	12 June 2020 to 22 August 2022	22 August 2022 to 22 August 2025
Tranche 3	33.0%	12 June 2020 to 22 August 2023	22 August 2023 to 22 August 2025

Note: For 6,800,000 out of 21,300,000 share options under 2020 Share Option 2 were granted to four employees and are subject to certain accelerated vesting condition relating to the market price and the trading volume of the shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SHARE OPTION SCHEME *(Continued)*

	% of the total share options	2020 Share Option 3 Vesting period	Exercise period
Tranche 1	One-Fifth	13 August 2020 to 22 August 2020	22 August 2020 to 22 August 2025
Tranche 2	One-Fifth	13 August 2020 to 22 August 2021	22 August 2021 to 22 August 2025
Tranche 3	One-Fifth	13 August 2020 to 22 August 2022	22 August 2022 to 22 August 2025
Tranche 4	One-Fifth	13 August 2020 to 22 August 2023	22 August 2023 to 22 August 2025
Tranche 5	One-Fifth	13 August 2020 to 22 August 2024	22 August 2024 to 22 August 2025

Grant date	22 August 2018	10 December 2018	18 January 2019	15 January 2020	12 June 2020	13 August 2020
Fair value on grant date (HK$)						
Tranche 1	3.53	3.04	2.88	2.33	2.83 to 2.84	3.34
Tranche 2	3.77	3.26	3.09	2.59	3.03 to 3.04	3.66
Tranche 3	N/A	N/A	N/A	N/A	3.21 to 3.34	3.94
Tranche 4	N/A	N/A	N/A	N/A	N/A	4.21
Tranche 5	N/A	N/A	N/A	N/A	N/A	4.45

The Company has used the Black-Scholes model for assessing the fair value of the share options granted. The following table lists the assumptions adopted in the calculation of the fair value at the grant date for the 2018 Share Option 1, 2018 Share Option 2, 2019 Share Option, 2020 Share Option 1, 2020 Share Option 2 and 2020 Share Option 3:

	2018 Share Option 1	2018 Share Option 2	2019 Share Option	2020 Share Option 1	2020 Share Option 2	2020 Share Option 3
Share price at the date of grant (HK$)	8.75	7.80	7.50	7.45	7.99	10.56
Exercise price (HK$)	8.88	7.84	7.53	7.45	7.99	10.99
Expected volatility	54.0%	54.0%	54.0%	53.7%	50.9%	53.5%
Risk-free interest rate (%)	2.03%	2.03%	2.03%	1.34%-1.42%	0.3%-0.37%	0.07%-0.14%
Expected dividend yield	0%	0%	0%	0%	0%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 SHARE OPTION SCHEME *(Continued)*

The following tables disclose movements of the Company's share options held by employees, consultants providing similar services and directors during the years ended 31 December 2020 and 2019:

Option type	Outstanding at 1 January 2019	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2019
2018 Share Option 1	16,715,556	–	–	(1,666,666)	15,048,890
2018 Share Option 2	433,333	–	–	–	433,333
2019 Share Option	–	2,851,111	–	(230,000)	2,621,111
Total	17,148,889	2,851,111	–	(1,896,666)	18,103,334

Option type	**Outstanding at 1 January 2020**	**Issued during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31 December 2020**
2018 Share Option 1	**15,048,890**	**–**	**(489,444)**	**–**	**14,559,446**
2018 Share Option 2	**433,333**	**–**	**(166,667)**	**(100,000)**	**166,666**
2019 Share Option	**2,621,111**	**–**	**(522,667)**	**(190,000)**	**1,908,444**
2020 Share Option 1	**–**	**1,700,000**	**(155,000)**	**–**	**1,545,000**
2020 Share Option 2	**–**	**21,300,000**	**–**	**–**	**21,300,000**
2020 Share Option 3	**–**	**1,838,500**	**–**	**–**	**1,838,500**
Total	**18,103,334**	**24,838,500**	**(1,333,778)**	**(290,000)**	**41,318,056**

The Group recognised an expense of approximately RMB37,323,148 (2019: RMB22,341,974) for the year ended 31 December 2020 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2020 RMB	2019 RMB
Assets			
Non-current assets			
Investments in subsidiaries		**617,278,292**	8,953
Current assets			
Prepayments and other receivables		**2,668,869**	2,567,297
Amounts due from subsidiaries		**65,469,985**	272,817,241
Cash and cash equivalents		**311,578**	154,315
Total current assets		**68,450,432**	275,538,853
Total assets		**685,728,724**	275,547,806
Liabilities			
Current liabilities			
Other payables and accruals		**21,286,675**	21,270,522
Amounts due to subsidiaries		**5,666,738**	6,003,084
Borrowings		**147,921,549**	18,476,975
Total current liabilities		**174,874,962**	45,750,581
Non-current liability			
Borrowings		**–**	115,580,353
Total liabilities		**174,874,962**	161,330,934
Equity attributable to owners of the Company			
Share capital		**2,793,627**	2,325,726
Other reserves	*40(b)*	**808,789,583**	381,615,189
Accumulated losses	*40(b)*	**(300,729,448)**	(269,724,043)
Total equity		**510,853,762**	114,216,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

Company	Share premium *(Note i)* RMB	Exchange reserve *(Note ii)* RMB	Share-based payments reserve *(Note iii)* RMB	Accumulated losses *(Note iv)* RMB
At 1 January 2019	212,786,990	1,035,469	18,022,465	(231,584,646)
Loss for the year	–	–	–	(38,139,397)
Other comprehensive income	–	1,350,391	–	–
Total comprehensive income/(loss)	–	1,350,391	–	(38,139,397)
Share awards vested	492,330	–	(492,330)	–
Equity-settled share-based payment under share option scheme	–	–	22,341,974	–
Equity-settled share-based payments under share award scheme	–	–	25,407,189	–
Issuance of new shares	100,670,711	–	–	–
At 31 December 2019 and 1 January 2020	**313,950,031**	**2,385,860**	**65,279,298**	**(269,724,043)**
Loss for the year	**–**	**–**	**–**	**(31,005,405)**
Other comprehensive income	**–**	**(31,351,358)**	**–**	**–**
Total comprehensive loss	**–**	**(31,351,358)**	**–**	**(31,005,405)**
Issuance of new shares	**258,706,612**	**–**	**–**	**–**
Issuance of new shares upon conversion of a convertible note	**13,738,180**	**–**	**–**	**–**
Equity-settled share-based payment under share option scheme	**–**	**–**	**37,323,148**	**–**
Equity-settled share-based payments under share award scheme	**–**	**–**	**47,558,187**	**–**
Share awards vested	**58,378,971**	**–**	**(58,378,971)**	**–**
Equity-settled share-based payments for a warrant	**–**	**–**	**91,910,449**	**–**
Exercise of share options	**14,552,554**	**–**	**(5,263,378)**	**–**
At 31 December 2020	**659,326,348**	**(28,965,498)**	**178,428,733**	**(300,729,448)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company *(Continued)*

Notes:

(i) Share premium represents amount subscribed for share capital in excess of par value.

(ii) Exchange reserve represents gains/losses arising on retranslating the net assets of operations of the Company into presentation currency.

(iii) It represents the reserve for the share options granted and the shares allotted under the share award scheme.

(iv) It represents cumulative net gains and losses recognised in profit or loss.

41 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 net proceeds of approximately HKD657,998,000 (equivalent to approximately RMB545,600,000) in January 2021. 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.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2020 RMB	2019 RMB	2018 RMB Restated	2017 RMB	2016 RMB
Revenue	**65,358,634**	93,040,057	136,399,460	162,015,156	160,374,361
Income from digital assets and blockchain platform business	**151,142,665**	71,648,388	8,560,749	–	–
Loss before tax from continuing operations	**(258,978,639)**	(246,655,587)	(155,775,810)	(52,341,406)	(34,344,694)
Income tax (expense)/credit	**(1,808,540)**	1,577,857	(5,147,114)	(1,870,192)	(503,352)
Loss for the year from continuing operations	**(260,787,179)**	(245,077,730)	(160,922,924)	(54,211,598)	(34,848,046)
Profit/(loss) for the year from discontinued operations	**1,876,983**	(44,579)	225,966	(3,012,125)	(173,901,301)
Loss for the year	**(258,910,196)**	(245,122,309)	(160,696,958)	(57,223,723)	(208,749,347)
Exchange differences on translating foreign operations	**1,536,683**	(4,410,382)	(2,239,619)	46,127	(29,324)
Total comprehensive loss for the year	**(257,373,513)**	(249,532,691)	(162,936,577)	(57,177,596)	(208,778,671)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(247,842,311)**	(243,580,447)	(161,232,680)	(58,211,920)	(208,921,924)
Non-controlling interests	**(11,067,885)**	(1,541,862)	535,722	988,197	172,577
	(258,910,196)	(245,122,309)	(160,696,958)	(57,223,723)	(208,749,347)
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company	**(247,084,119)**	(248,017,079)	(163,469,324)	(58,165,793)	(208,951,248)
Non-controlling interests	**(10,289,394)**	(1,515,612)	532,747	988,197	172,577
	(257,373,513)	(249,532,691)	(162,936,577)	(57,177,596)	(208,778,671)

FIVE YEAR FINANCIAL SUMMARY

SUMMARY OF ASSETS AND LIABILITIES

	2020	2019	2018	2017	2016
	RMB	RMB	RMB	RMB	RMB
			Restated		
Total non-current assets	**223,012,070**	399,243,113	312,924,787	62,597,286	100,869,059
Total current assets	**3,185,795,348**	745,426,138	689,654,383	233,877,282	243,943,234
Total current liabilities	**3,056,773,324**	729,614,853	711,702,576	95,809,749	85,103,309
Net current assets/(liabilities)	**129,022,024**	15,811,285	(22,048,193)	138,067,533	158,839,925
Non-current liabilities	**216,697,735**	481,338,179	256,249,303	19,811,464	20,925,672
Net assets/(liabilities)	**135,336,359**	(66,283,781)	34,627,291	180,853,355	238,783,312
Capital and reserves					
Total equity attributable to owners of the Company	**142,654,575**	(69,254,959)	30,140,501	176,195,368	234,110,735
Non-controlling interests	**(7,318,216)**	2,971,178	4,486,790	4,657,987	4,672,577
Total equity/(deficit)	**135,336,359**	(66,283,781)	34,627,291	180,853,355	238,783,312