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## **BC TECHNOLOGY GROUP LIMITED**

### **BC 科技集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 863)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **FINANCIAL HIGHLIGHTS**

- Adjusted non-IFRS income\* from digital assets and blockchain platform business was HK\$104.9 million, up 25.1% on year-over-year (“YoY”) from HK\$83.9 million
- Service fees from software-as-a-service (“SaaS”) of HK\$15.2 million, which increased 331.8% YoY from HK\$3.5 million

\* *Adjusted non-IFRS income excluding net loss/gain of digital assets held by the Group used in facilitation of prime brokerage business and fair value changes is an additional financial measure, which is not required by, or presented in accordance with, the IFRS. The adjusted non-IFRS financial measure is useful for understanding and assessing underlying business and operating performance. The presentation of this adjusted non-IFRS financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS.*

The board (the “**Board**”) of directors (the “**Directors**”) of BC Technology Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Period**” or “**1H2022**”), together with the comparative figures for the corresponding period in 2021. These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from principal activities:			
— Digital assets and blockchain platform business			
• Income from digital assets and blockchain platform business	5	<b>104,902</b>	83,871
• Net (loss)/gain of digital assets used in facilitation of prime brokerage business	5	<b>(92,209)</b>	27,396
• Net fair value (loss)/gain on digital assets	5	<b>(7,056)</b>	2,703
— Revenue from advertising business	4	<b>7,981</b>	15,711
— Rental income from business park area management services		<b>22,661</b>	23,133
		<b>36,279</b>	152,814
Cost of revenue		<b>(19,685)</b>	(23,639)
Other income		<b>355</b>	546
Other gains/(losses), net		<b>49,425</b>	(27)
Selling and distribution expenses		<b>(21,812)</b>	(61,770)
Administrative and other operating expenses		<b>(336,850)</b>	(209,347)
Provision for impairment losses on financial assets, net		<b>(1,421)</b>	—
<b>Operating loss</b>		<b>(293,709)</b>	(141,423)
Finance income		<b>838</b>	5,277
Finance costs		<b>(11,302)</b>	(20,205)
Finance costs, net		<b>(10,464)</b>	(14,928)
Share of net post-tax loss of an associate accounted for using the equity method		<b>(9,655)</b>	(190)
<b>Loss before income tax</b>		<b>(313,828)</b>	(156,541)
Income tax expense	6	<b>(1,661)</b>	(1,320)
<b>Loss for the period</b>		<b>(315,489)</b>	(157,861)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)**

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(315,489)</b>	<b>(157,861)</b>
<b>Other comprehensive income</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences on translation of foreign operations with a functional currency different from the Company's presentation currency	<u>1,455</u>	<u>3,383</u>
<b>Total comprehensive loss for the period</b>	<b><u>(314,034)</u></b>	<b><u>(154,478)</u></b>
<b>(Loss)/profit for the period attributable to:</b>		
Owners of the Company	<b>(306,563)</b>	<b>(158,099)</b>
Non-controlling interests	<b><u>(8,926)</u></b>	<b><u>238</u></b>
	<b><u>(315,489)</u></b>	<b><u>(157,861)</u></b>
<b>Loss per share attributable to the owners of the Company</b>		
Basic ( <i>HK\$ per share</i> )	<b>8 (0.73)</b>	<b>(0.44)</b>
Diluted ( <i>HK\$ per share</i> )	<b>8 (0.73)</b>	<b>(0.44)</b>
<b>Total comprehensive (loss)/profit for the period attributable to:</b>		
Owners of the Company	<b>(304,701)</b>	<b>(154,795)</b>
Non-controlling interests	<b><u>(9,333)</u></b>	<b><u>317</u></b>
	<b><u>(314,034)</u></b>	<b><u>(154,478)</u></b>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>129,432</b>	154,574
Intangible assets		<b>81,022</b>	90,021
Prepayments, deposits and other receivables		<b>18,062</b>	19,577
Investment accounted for using equity method		<b>9,376</b>	19,017
Financial assets at fair value through profit or loss		<b>74,736</b>	25,013
Deferred income tax assets		<b>4,892</b>	5,402
		<hr/>	<hr/>
Total non-current assets		<b>317,520</b>	313,604
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Digital assets	9	<b>1,769,138</b>	3,519,909
Contract assets		<b>16,782</b>	13,168
Trade receivables	10	<b>91,666</b>	121,755
Prepayments, deposits and other receivables		<b>73,382</b>	73,244
Collateral receivables		<b>33,881</b>	–
Digital assets due from counterparties		<b>1,494</b>	–
Cash held on behalf of licensed entity customers	11	<b>148,213</b>	282,560
Cash and cash equivalents		<b>1,019,529</b>	954,519
		<hr/>	<hr/>
Total current assets		<b>3,154,085</b>	4,965,155
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>3,471,605</b>	5,278,759
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<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deposits received and other payables		<b>16,990</b>	17,258
Lease liabilities		<b>87,736</b>	112,587
Deferred income tax liabilities		<b>6,950</b>	7,858
		<hr/>	<hr/>
Total non-current liabilities		<b>111,676</b>	137,703
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>35,482</b>	49,809
Contract liabilities		<b>18,325</b>	20,185
Accruals and other payables		<b>79,634</b>	116,809
Collateral payables		<b>33,976</b>	77,727
Liabilities due to customers	<i>13</i>	<b>2,149,441</b>	3,516,123
Lease liabilities		<b>44,128</b>	43,493
Borrowings		<b>101,337</b>	119,100
Current income tax liabilities		<b>4,429</b>	6,667
		<u><b>2,466,752</b></u>	<u>3,949,913</u>
<b>Total current liabilities</b>		<b>2,466,752</b>	3,949,913
		<u><b>2,578,428</b></u>	<u>4,087,616</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	<b>4,233</b>	4,233
Other reserves		<b>2,389,505</b>	2,371,575
Accumulated losses		<b>(1,487,854)</b>	(1,181,291)
		<u><b>905,884</b></u>	<u>1,194,517</u>
<b>Non-controlling interests</b>		<b>(12,707)</b>	(3,374)
		<u><b>893,177</b></u>	<u>1,191,143</u>
<b>Total equity</b>		<b>893,177</b>	1,191,143

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. During the Period, 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 Mainland China.

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

The unaudited condensed consolidated interim financial statements are presented in thousands of Hong Kong Dollars (HK\$'000), unless otherwise stated.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

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

The unaudited condensed consolidated interim financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2021. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “2021 Annual Financial Statements”), which have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”). The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements of the Group for the period are consistent with those applied in the 2021 Annual Financial Statements except for the adoption of amended standards and framework and changes in accounting policies as set out below.

**(a) Amendments to standards effective in current accounting period and are relevant to the Group's operations**

The Group has applied the following amendments to standards for the first time for their reporting period commencing on 1 January 2022:

Amendments to IFRS 3, IAS 16, and IAS 37    Narrow-scope amendments

The adoption of amendments to standards 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.

**(b) New amendments to standards that are not yet effective and have not been early adopted by the Group**

Certain new amendments to standards have been published that are not mandatory for financial year beginning on 1 January 2022 and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
IFRS 17	Insurance contracts and the related amendments	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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 that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3 SEGMENT REPORTING

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

The Group has three reportable segments during the period (30 June 2021: same). 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:

- Digital assets and blockchain platform business — trading of digital assets in the over-the-counter (“OTC”) market and provision of automated digital assets trading services through its proprietary platforms, licensing of its proprietary platforms and technology solutions as a SaaS and others related businesses.
- Business park area management — providing operation and management services in business park area in Mainland China.
- Traditional advertising — provision of traditional advertising services, public relation services and event marketing services in Mainland China.

	Digital assets and blockchain platform business HK\$'000	Business park area management HK\$'000	Traditional advertising HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Unaudited for the six months ended</b>					
<b>30 June 2022</b>					
<b>Results</b>					
<b>Income from other sources:</b>					
Trading of digital assets (Note 5)	81,685	–	–	–	81,685
Net loss of digital assets used in facilitation of prime brokerage business (Note 5)	(92,209)	–	–	–	(92,209)
Net fair value loss on digital assets (Note 5)	(7,056)	–	–	–	(7,056)
Rental income from business park area management services	–	22,661	–	–	22,661
<b>Revenue from contracts with customers:</b>					
Revenue from advertising	–	–	7,981	–	7,981
Service fee from SaaS (Note 5)	15,161	–	–	–	15,161
Trading fee from automated trading service (Note 5)	4,192	–	–	–	4,192
Income from custodian services and other revenues (Note 5)	3,864	–	–	–	3,864
	<u>270,199</u>	<u>3,365</u>	<u>(4,062)</u>	<u>(44,593)</u>	<u>(315,489)</u>
(Loss)/profit for the period					
<b>Unaudited as at 30 June 2022</b>					
<b>Assets and liabilities</b>					
Reportable segment assets (Note (ii))	<u>3,041,021</u>	<u>146,500</u>	<u>51,045</u>	<u>233,039</u>	<u>3,471,605</u>
Reportable segment liabilities (Note (ii))	<u>2,297,554</u>	<u>107,233</u>	<u>24,306</u>	<u>149,335</u>	<u>2,578,428</u>

	Digital assets and blockchain platform business <i>HK\$'000</i>	Business park area management <i>HK\$'000</i>	Traditional advertising <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Unaudited for the six months ended</b>					
<b>30 June 2021</b>					
<b>Results</b>					
<b>Income from other sources:</b>					
Trading of digital assets ( <i>Note 5</i> )	73,839	–	–	–	73,839
Net gain of digital assets used in facilitation of prime brokerage business ( <i>Note 5</i> )	27,396	–	–	–	27,396
Net fair value gain on digital assets ( <i>Note 5</i> )	2,703	–	–	–	2,703
Rental income from business park area management services	–	23,133	–	–	23,133
<b>Revenue from contracts with customers:</b>					
Revenue from advertising	–	–	15,711	–	15,711
Service fee from SaaS ( <i>Note 5</i> )	3,511	–	–	–	3,511
Trading fee from automated trading service ( <i>Note 5</i> )	3,105	–	–	–	3,105
Income from custodian services and other revenues ( <i>Note 5</i> )	3,416	–	–	–	3,416
	<u>61,582</u>	<u>4,136</u>	<u>(1,043)</u>	<u>(99,372)</u>	<u>(157,861)</u>
(Loss)/profit for the period					
<b>Audited as at 31 December 2021</b>					
<b>Assets and liabilities</b>					
Reportable segment assets ( <i>Note (ii)</i> )	<u>4,881,203</u>	<u>153,646</u>	<u>51,309</u>	<u>192,601</u>	<u>5,278,759</u>
Reportable segment liabilities ( <i>Note (ii)</i> )	<u>3,763,793</u>	<u>115,392</u>	<u>19,612</u>	<u>188,819</u>	<u>4,087,616</u>

*Notes:*

- (i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the periods ended 30 June 2022 and 2021.
- (ii) Unallocated assets are mainly financial assets at fair value through profit or loss and cash and cash equivalents held by head office. Unallocated liabilities mainly include lease liabilities, borrowings and deferred income tax liabilities.

#### 4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

##### Disaggregation of revenue from contracts with customers

	Unaudited	
	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Recognised over time:</b>		
Revenue from advertising business	7,981	15,711
Service fee from SaaS (Note 5)	15,161	3,511
Income from custodian services (Note 5)	2,498	2,080
Others (Note 5)	1,366	1,336
<b>Recognised at a point of time:</b>		
Trading fee from automated trading service (Note 5)	4,192	3,105

#### 5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	Unaudited	
	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Income from digital assets and blockchain platform business:</b>		
Trading of digital assets (Note (a))	81,685	73,839
Service fee from SaaS	15,161	3,511
Income from custodian services	2,498	2,080
Trading fee from automated trading service	4,192	3,105
Others	1,366	1,336
	<b>104,902</b>	83,871
Net (loss)/gain of digital assets used in facilitation of prime brokerage business (Note (a))	(92,209)	27,396
Net fair value (loss)/gain on digital assets (Note (a))	(7,056)	2,703
	<b>5,637</b>	113,970

##### Note:

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

## 6 INCOME TAX EXPENSE

The corporate income tax in Mainland China has been provided at the rate of 25% (30 June 2021: 25%) on the estimated assessable profits for the period. Income tax on profits assessable outside Mainland China has been provided at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong profits tax and Singapore corporate income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and Singapore during the six months ended 30 June 2022 (30 June 2021: same).

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
People's Republic of China corporate income tax	<b>2,067</b>	2,023
Deferred income tax	<b>(406)</b>	(703)
Income tax expense	<b><u>1,661</u></b>	<u>1,320</u>

## 7 DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 June 2022 (30 June 2021: nil).

## 8 LOSS PER SHARE

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b><u>306,563</u></b>	<u>158,099</u>

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
<b>Number of shares:</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b><u>419,243,279</u></b>	<u>359,387,646</u>
	<i>HK\$</i>	<i>HK\$</i>
Loss per share attributable to the owners of the Company		
Basic ( <i>per share</i> )	<b>(0.73)</b>	(0.44)
Diluted ( <i>per share</i> )	<b><u>(0.73)</u></b>	<u>(0.44)</u>

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period (30 June 2021: same).

During the six months ended 30 June 2022, the Company had three categories of potential ordinary shares: share options, share awards and a warrant. Diluted loss per share presented is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive (30 June 2021: same).

## 9 DIGITAL ASSETS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Digital assets:</b>		
— Held in own wallets of the Group	<b>1,736,101</b>	3,518,356
— Digital assets held on exchange institutions ( <i>Note</i> )	<b><u>33,037</u></b>	<u>1,553</u>
	<b><u>1,769,138</u></b>	<u>3,519,909</u>

*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.

Among the digital asset balances, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK\$1,530,888,000 (31 December 2021: HK\$2,798,874,000) (Note 13). It also included the Group's proprietary digital assets of approximately HK\$238,250,000 (31 December 2021: HK\$721,035,000). The balance is measured at fair value through profit or loss.

As at 30 June 2022, there were certain digital assets with fair value of approximately HK\$393,445,000 (31 December 2021: HK\$523,699,000) received from and held on behalf of clients by OSL Digital Securities Limited (“OSL DS”), a wholly owned subsidiary of the Company and a Hong Kong Securities and Futures Commission (“SFC”) licensed corporation, and were safekeeping in segregated client wallets through a trust arrangement with BC Business Management Services (HK) Limited which is the associated entity of OSL DS under the Securities and Futures Ordinance. Based on the respective rights and obligations of OSL DS and its clients under the client terms and conditions (“OSL DS Client T&C”), these digital assets held in segregated wallets are not recognised as the Group's digital assets and hence there are no corresponding digital asset liabilities under these arrangements. OSL DS also holds certain digital assets in its own wallets for facilitating the trading flow with its customers.

## 10 TRADE RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables from business park area management services	<b>10,657</b>	6,076
Less: loss allowance	<b>(5,793)</b>	(6,076)
Trade receivables from advertising business	<b>15,229</b>	7,495
Less: loss allowance	<b>(7,677)</b>	(7,383)
	<b>12,416</b>	112
Trade receivables from digital assets and blockchain platform business	<b>81,441</b>	123,071
Less: loss allowance	<b>(2,191)</b>	(1,428)
	<b>79,250</b>	121,643
Trade receivables	<b>91,666</b>	121,755

For the advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and grants a credit term of generally 30 to 60 days (31 December 2021: same) after the invoice date, while prepayments 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 with a credit period of 1–3 days after invoice date. For SaaS customers, credit term of 30 days after invoice date is granted in general.

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

At 30 June 2022 and 31 December 2021, the ageing analysis of the Group's trade receivables, based on invoice date, were as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–30 days	<b>83,374</b>	117,391
31–90 days	<b>265</b>	2,265
91–180 days	<b>7,227</b>	402
181–365 days	<b>800</b>	1,697
	<b>91,666</b>	121,755

## 11 CASH HELD ON BEHALF OF LICENSED ENTITY CUSTOMERS

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

## 12 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 90–180 days (31 December 2021: same).

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>HK\$'000</i>
0–30 days	<b>34,517</b>	37,431
31–90 days	<b>830</b>	2,117
91–180 days	–	2,170
181–365 days	–	7,915
Over 365 days	<b>135</b>	176
	<b>35,482</b>	49,809

## 13 LIABILITIES DUE TO CUSTOMERS

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>HK\$'000</i>
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	<b>146,202</b>	282,554
— Others	<b>472,351</b>	434,695
— Digital asset liabilities	<b>1,530,888</b>	2,798,874
	<b>2,149,441</b>	3,516,123

Liabilities due to customers arise in the ordinary course of the Group's digital assets and blockchain platform business, where the Group's contractual relationship with its customers is primarily governed by the DATA, OSL DS Client T&C and other relevant agreements.

Based on the respective rights and obligations of the Group and its customers under various arrangements, fiat currency and digital assets held by the Group in the customers' accounts are recognised as the Group's assets with a corresponding liability due to the customers, except for the digital assets held on behalf of OSL DS's clients with a fair value of approximately HK\$393,445,000 as at 30 June 2022 (31 December 2021: HK\$523,699,000), they are kept in segregated wallets and are not recognised as the Group's assets and hence there are no corresponding digital asset liabilities under these arrangements.

The liabilities are measured at fair value through profit or loss with changes in fair values recognised in the unaudited condensed consolidated statement of profit or loss in the period of the changes as part of the "income from digital assets and blockchain platform business".

## 14 SHARE CAPITAL

	Unaudited As at 30 June 2022		Audited As at 31 December 2021	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each at 1 January 2021, 31 December 2021 and 30 June 2022	<b>2,000,000,000</b>	<b>20,000</b>	2,000,000,000	20,000
<b>Issued and fully paid:</b>				
At the beginning of the period/year	<b>423,247,484</b>	<b>4,233</b>	336,621,033	3,366
Issuance of new shares ( <i>Notes (a) and (b)</i> )	–	–	79,673,360	797
Exercise of share options ( <i>Note (c)</i> )	–	–	6,953,091	70
At the end of the period/year	<b>423,247,484</b>	<b>4,233</b>	423,247,484	4,233

### Notes:

- (a) On 5 January 2021, the Company allotted and issued 45,000,000 ordinary shares at a subscription price of HK\$15.5 per share to 49 subscribers. On 11 June 2021, the Company further allotted and issued 31,952,500 ordinary shares at a subscription price of HK\$17 per share to a subscriber. Upon the issuance of the shares, approximately HK\$770,000 and approximately HK\$1,191,959,000 were credited to share capital and share premium respectively.
- (b) During the year ended 31 December 2021, the Company issued 2,720,860 new shares at HK\$0.01 for each share to the Trustee on 27 January 2021 and 8 October 2021, pursuant to the new share award plan adopted on 21 August 2018, to recognise and reward the contribution of directors, employees and consultants providing similar services for providing services to the Group. The Board applied approximately HK\$27,000 in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.
- (c) During the year ended 31 December 2021, 6,953,091 share options were exercised by the employees and consultants providing similar services for providing services to the Company and its subsidiaries. Consequently, HK\$70,000 was credited to share capital and HK\$84,365,000 was credited to share premium.

## 15 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

While 1H2022 was punctuated by material weakness in the global macroeconomy and black swan events in digital asset markets, OSL saw important new business wins and growth in its core business lines.

During the Period the Group and OSL continued to experience growth, with overall Group adjusted non-IFRS revenue and income<sup>1</sup> of HK\$135.5 million, an increase of 10.5% from HK\$122.7 million in 1H2021.

The Group's core business, the OSL digital asset platform, also saw growth, with adjusted non-IFRS income of HK\$104.9 million for the Period, an increase of 25.1% from HK\$83.9 million in 1H2021. OSL digital asset platform volumes were up by 79.1% YoY to HK\$214.4 billion from HK\$119.7 billion in 1H2021.

The Group's Mainland China business declined during the Period with its overall revenue decreasing 21.1% YoY to HK\$30.6 million, down from HK\$38.8 million in 1H2021 as a result of more difficult economic conditions in China and COVID-related restrictions.

Group selling and distribution expenses decreased 64.7% YoY to HK\$21.8 million in 1H2022 compared to HK\$61.8 million during the same period in 2021, and the Group net loss for the Period was HK\$315.5 million, as compared to HK\$157.9 million during the same period in 2021.

### The OSL Digital Asset Platform

In 1H2022, OSL continued to make strides in its core business units. The OSL SaaS offering experienced rapid growth, and saw revenues increase more than three times compared to the same period in 2021, with new major tier-1 financial institutions signed as clients across the globe. With a robust pipeline of new business opportunities, the SaaS business is well positioned to capture market share in the second half of 2022 and beyond.

OSL also made significant progress in new business wins and recurring revenue clients across business lines. Notably, OSL DS, the Group's Hong Kong SFC-licensed entity, on 9 June announced that it was appointed to provide exclusive virtual asset dealing services for Interactive Brokers Hong Kong Limited ("**Interactive Brokers**") in Hong Kong.

<sup>1</sup> *Adjusted non-IFRS revenue and income excluding net loss/gain of digital assets held by the Group used in facilitation of prime brokerage business and fair value changes is an additional financial measure, which is not required by, or presented in accordance with, the IFRS. The adjusted non-IFRS financial measure is useful for understanding and assessing underlying business and operating performance. The presentation of this adjusted non-IFRS financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS.*

The agreement is a major milestone for the Hong Kong digital asset market because it represents the first collaboration between one of the largest SFC-regulated online brokers serving Hong Kong professional investors and an SFC-licensed institutional digital asset brokerage and exchange.

The deal follows the issuance of a joint circular by the Hong Kong Monetary Authority (“**HKMA**”) and the SFC on 28 January 2022, which for the first time required registered institutions and licensed corporations to provide digital asset dealing services by partnering only with SFC-licensed virtual asset trading platforms. As the first firm licensed by the SFC for Type 1 and 7 regulated activities related to digital assets, OSL DS is positioned to be the digital asset provider of choice for licensed brokers and banks in Hong Kong that seek to enter the digital asset market.

OSL prime brokerage adjusted non-IFRS income, which is the combined revenue from OTC and intelligent Request for Quote (“**iRFQ**”) trading and digital assets lending, increased 9.4% YoY to HK\$82.2 million compared to HK\$75.2 million in 1H2021. OSL exchange revenues were HK\$5.0 million for 1H2022 compared to HK\$3.1 million in the same period in 2021 and income from custodian services was up 20.1% YoY to HK\$2.5 million from HK\$2.1 million in 1H2021.

The OSL SaaS business saw significant growth in 1H2022, with revenues up 331.8% YoY to HK\$15.2 million compared to HK\$3.5 million in the same period in 2021.

During the Period, OSL overall digital asset platform trading volumes were up by 79.1% YoY to HK\$214.4 billion from HK\$119.7 billion in 1H2021. SaaS trading volume increased 133.5% YoY to HK\$10.8 billion from HK\$4.6 billion. Brokerage trading volume, which is the combined trading volumes from OTC and iRFQ, was up 86.7% YoY to HK\$169.4 billion from HK\$90.7 billion. Exchange trading volume was up 40.4% YoY to HK\$34.2 billion from HK\$24.3 billion.

Throughout the Period, the broader digital asset sector also saw investment into its infrastructure ecosystem continue unabated, even as an environment of quantitative tightening put increased downward price pressure on traditional and digital asset markets.

Global regulatory clarity also increased in key markets during the Period, as did product innovation. This regulatory evolution and ecosystem growth points to long-term tailwinds that will create significant step changes and efficiencies in the market. Recent market turmoil also has raised the risk awareness of digital asset investors and prompted an increasing shift towards regulated trading venues. In this environment, OSL remains well-positioned as the platform of choice for institutions adopting digital assets.

## **Advertising and Business Park Area Management Services Business in Mainland China**

The Group has two Mainland China-based 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 operates and manages a commercial property in the Jingwei Park business park in Shanghai.

During the Period, the Shanghai property was fully leased and occupied, and rental income was HK\$22.7 million, representing a slight decrease of 2.0% compared to HK\$23.1 million for 1H2021.

The Group's advertising business includes the provision of professional and customised one-stop integrated marketing communication services to clients 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 clients are from the automotive industry.

The Group's advertising business revenues declined 49.2% from HK\$15.7 million in 1H2021 to HK\$8.0 million during the Period. This was the result of a continuous loss of clients due to keen competition, especially competition from the new on-line advertising, and a COVID-19 lockdown in Shanghai during the Period.

### **MATERIAL EVENTS**

On 9 June 2022, OSL DS, a wholly owned subsidiary and a SFC regulated virtual asset trading platform of the Company entered into an agreement with Interactive Brokers, an automated global electronic broker, pursuant to which OSL DS was appointed to provide exclusive virtual asset dealing services for Interactive Brokers in Hong Kong.

Upon go-live, Interactive Brokers will offer virtual asset dealing services directly to its professional investor trading clients in Hong Kong, powered by OSL DS. For details, please refer to the Company's announcement dated 9 June 2022.

## **REVIEW OF RESULTS**

### **Overall Performance**

The adjusted non-IFRS total revenue and income of the Group was HK\$135.5 million for the Period, representing an increase of 10.5%, or HK\$12.8 million, from HK\$122.7 million for 1H2021, driven by an increase in service fees from SaaS.

The digital asset market has fluctuated significantly year-to-date, and this led to loss of HK\$99.3 million from digital assets held by the Group used in facilitation of prime brokerage business during the normal course of digital asset trading business (1H2021: gain of HK\$30.1 million). With the aforementioned loss is considered, Group total revenue and income declined by 76.3% to HK\$36.3 million for the Period.

The operating loss of the Group was HK\$293.7 million for the Period, representing an increase of HK\$152.3 million from HK\$141.4 million for 1H2021.

The net loss of the Group increased from HK\$157.9 million for 1H2021 to HK\$315.5 million for the Period, an increase of HK\$157.6 million.

Loss per share of the Group for the Period was HK\$73 cents (1H2021: HK\$44 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 following years. During the Period, the digital assets and blockchain platform business generated adjusted non-IFRS income of HK\$104.9 million, which was up 25.1% as compared to income of HK\$83.9 million in 1H2021. The increase was driven by an increase in the provision of digital asset SaaS and related services.

OSL prime brokerage adjusted non-IFRS income, exchange revenues, service fee from SaaS, income from custodian services was HK\$82.2 million, HK\$5.0 million, HK\$15.2 million and HK\$2.5 million, respectively.

## **Advertising and Business Park Area Management Services Businesses**

Revenue from the advertising business for the Period was HK\$8.0 million, a decline of HK\$7.7 million or 49.2% as compared with 1H2021.

Rental income from business park area management services for the Period was HK\$22.7 million, representing a slight decrease of 2.0% as compared to HK\$23.1 million in 1H2021.

During the Period, 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 Period was HK\$19.0 million, representing a decrease of 16.4% or HK\$3.7 million as compared with HK\$22.7 million for the corresponding period of 2021.

The gross profit for advertising and business park area management services for the Period and 1H2021 was HK\$11.6 million and HK\$16.1 million, respectively. The Group's gross profit margin for advertising and business park area management services was 38.0% (1H2021: 41.5%). The decrease was mainly attributable to the advertising business, which incurred additional costs due to increased market competitiveness during the Period.

## **Selling and Distribution Expenses**

Selling and distribution expenses decreased by HK\$40.0 million from HK\$61.8 million in the corresponding period of 2021 to HK\$21.8 million for the Period. The decrease was mainly due to the warrant expenses of HK\$49.8 million in 1H2021, whereas no such expenses were incurred for the Period. The intention of the warrant is to promote liquidity within the Group's trading platforms by encouraging trading activities of J Digital 5 LLC in order to create quantitative benefits to the Group in the form of trading commissions or revenues resulting from client transaction volumes attributable to the liquidity provided.

## **Administrative and Other Operating Expenses**

Administrative and other operating expenses for the Period increased by HK\$127.5 million or 60.9% to HK\$336.9 million as compared to 1H2021. The increase was mainly due to the increase in expenditures by HK\$99.4 million related to establishing the corporate and technical infrastructure for the regulated institutional digital asset segment, including technology, legal and compliance, marketing and insurance.

During the Period, out of employee benefit expenses (including research and development costs), HK\$4.6 million was mainly capitalised as contract assets associated with the assignment of an intellectual property to Zodia Markets Holdings Limited (“**Zodia Markets**”). The research and development cost was driven by the Group’s expansion of its technical capabilities and resources in the digital asset and blockchain industry.

### **Net Loss**

Net loss of the Group for the Period was HK\$315.5 million, an increase of HK\$157.6 million as compared with HK\$157.9 million for 1H2021. Despite fair value gains from financial assets for the Period, the increase in net loss was primarily due to the loss of digital assets held by the Group used in facilitation of prime brokerage business and the expansion of the Group’s digital assets and blockchain platform business globally.

### **Liquidity and Financial Resources**

As at 30 June 2022, the Group recorded total assets of HK\$3,471.6 million (31 December 2021: HK\$5,278.8 million), total liabilities of HK\$2,578.4 million (31 December 2021: HK\$4,087.6 million) and total shareholders’ equity of HK\$893.2 million (31 December 2021: HK\$1,191.1 million). As at 30 June 2022, the gross gearing ratio (defined as total liabilities over total assets) was approximately 74.3% (31 December 2021: 77.4%).

The Group’s cash position, after deduction of clients’ cash balance and the cash balance held on behalf of licensed entity clients, as at 30 June 2022 was HK\$549.2 million (31 December 2021: HK\$519.8 million). Balance of the Group’s proprietary digital assets dropped from HK\$721.0 million as of 31 December 2021 to HK\$238.3 million as of 30 June 2022 given a significant decline in the value of crypto currencies in 1H 2022.

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

As at 30 June 2022, total borrowing amounted to HK\$101.3 million (31 December 2021: HK\$119.1 million). The Group’s borrowing comprised other loans denominated in Hong Kong dollars (“**HKD**”) and United States dollars (“**USD**”), interest bearing at a range from 3% to 8% per annum (31 December 2021: 3% to 8% per annum).

HK\$64.5 million (31 December 2021: HK\$64.1 million) borrowing was secured by digital assets (31 December 2021: secured by digital assets). As at 30 June 2022, the Group was in a net current assets position (31 December 2021: 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 instruments with high risks. During the Period, the Group continued to adopt a conservative approach in financial risk management and did not employ any material financial instrument for hedging purposes. Most of the assets, receipts and payments of the Group were denominated in Renminbi ("RMB"), HKD and 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 minimal. For operations in Mainland China, most of the transactions are settled in RMB, and the impact of foreign exchange exposure to the Group is negligible. For operations in Singapore and the Americas, 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") and Mexican peso ("MXN") respectively, any SGD and MXN related exposures to foreign exchange risk are minimal.

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

### **Material Acquisitions and Disposals of Subsidiaries**

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

### **Charge on the Group's Assets**

As at 30 June 2022, the Group pledged digital assets of 443 Bitcoin (31 December 2021: digital assets of 496 Bitcoin).

## **Material Investments or Capital Assets and Capital Expenditure Commitments**

In June 2021, BC HoldCo I Limited, a wholly-owned subsidiary of the Company, entered into agreements with an independent third party in relation to the acquisition of 24.99% equity interest in Zodia Markets, which was a new entity incorporated in the United Kingdom (“UK”). As at 30 June 2022, the Group’s total commitments contracted but not provided for investment in an associate were USD1.75 million (equivalent to approximately HK\$13.7 million) and an assignment of an intellectual property. BC HoldCo I Limited subsequently completed the investment of USD1.75 million in July 2022.

## **Contingent Liabilities**

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

## **Human Resources Cost**

As at 30 June 2022, the Group had a total of 260 employees across its Hong Kong, Singapore, the UK, the Americas and Mainland China (30 June 2021: 186 employees). The total staff cost during the Period was HK\$181.4 million (30 June 2021: HK\$140.0 million).

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

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

In regards to the 2012 Share Option Scheme, no share options were granted during the Period (30 June 2021: 3,500,000), while 3,869,964 share options had lapsed (30 June 2021: 290,000) and no share options had been exercised (30 June 2021: 3,547,703), hence 33,618,148 share options remained outstanding (30 June 2021: 40,980,353). In regards to the 2021 Share Option Scheme, no share options were granted, exercised or cancelled during the Period (30 June 2021: nil), while 200,000 share options had lapsed (30 June 2021: nil), hence 1,300,000 share options remained outstanding (30 June 2021: nil).

The Company also adopted the 2018 share award plan on 21 August 2018 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.

## **EVENTS AFTER THE FINANCIAL POSITION DATE**

There are no material subsequent events relating to the Company or the Group after 30 June 2022 and up to the date of the interim results announcement.

## **INTERIM DIVIDENDS**

The Board resolved not to recommend an interim dividend in respect of the Period to the holders of ordinary shares of the Company (1H2021: nil).

## **PROSPECTS**

With a strong balance sheet and a competitive product offering, the Group continued to enhance its leadership in the regional and global digital asset market. It also increased digital asset platform revenues and volumes and signed several material contracts for its core prime brokerage and SaaS businesses in 2022.

This resulted in continued growth in the OSL new business pipeline, particularly for the SaaS business unit, as well as an increased focus on targeted products and services. These trends are expected to accelerate in the coming reporting periods.

OSL SaaS revenues were up more than three times in 1H2022 compared to the previous period, and new major clients were signed across the globe.

The SaaS business is expected to continue to grow at pace in the second half of 2022 and beyond.

OSL prime brokerage and exchange, which together with custody are now collectively referred to as the “OSL Markets” business, also has positive prospects, with several new market makers coming onto the exchange venue in 2022, increasing liquidity and trading volume at a time when digital asset exchanges were experiencing low volumes globally. OSL prime brokerage continued to be the partner of choice for institutional digital asset managers, high-net-worth individual investors, and ETFs. OSL Markets has a deep pipeline of prospective new clients globally and are expected to sign additional clients and liquidity providers throughout the Year.

The Group also saw significant new business wins and product milestones. On 26 July 2022, OSL DS became the first SFC-licensed digital asset broker to sell security tokens to professional investors in a Hong Kong private security token offering (“**STO**”).

The STO distribution by OSL demonstrates ‘proof-of-concept’ for innovative new ways of investing in regulated digital assets, and opens the door to a new market for issuers to raise funds by the issuance and distribution of tokenized securities through licensed intermediaries in Hong Kong.

The HKMA and the SFC issued a joint circular on 28 January 2022, which for the first time required registered institutions and licensed corporations to provide digital asset investment services by partnering only with SFC-licensed virtual asset trading platforms.

Under the circular, and with the proof-of-concept STO and its Interactive Brokers agreement signed in June, OSL has demonstrated its ability to play a central role leading bookbuilds and acting as an intermediary for licensed partner brokers and banks on future STO issuances and other digital asset transactions.

On 28 July 2022 Zodia Markets, the Group’s joint venture with Standard Chartered’s SC Ventures in the UK and European Union (“**EU**”), announced that it had received crypto asset registration from the UK Financial Conduct Authority (“**FCA**”) and officially launched its institutional crypto exchange and brokerage in the UK and the EU.

Zodia Markets’ registration marks the first time a crypto trading business backed by a leading international bank has been listed by the FCA on the UK’s Financial Services Register.

The above partnerships, product innovation and growth and new business in SaaS utilize recurring revenue models that have potential to drive non-linear growth for the Group once fully operational. The ramp up process for several recurring revenue relationships is expected to be fully complete and trading by the end of third quarter in 2022.

Furthermore, the Group's operating costs are expected to decline significantly in the second half of 2022 following the completion of a firm wide organizational realignment exercise, an initiative that focused on creating business efficiencies. Focus will be placed moving forward on targeted marketing and sales with the aim of increased client acquisition across the business units to further drive revenue and platform volume.

The Group will also selectively add new trading products, services and features to its trading platform to meet market and customer needs.

## **OTHER INFORMATION**

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **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 six months ended 30 June 2022.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2022, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code from time to time, as set out in Appendix 14 to the Listing Rules.

All other information on the Corporate Governance Code of the Company have been disclosed in the Corporate Governance Report contained in the 2021 Annual Report of the Company issued in April 2022.

## AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

Currently, the Audit Committee comprises three independent non-executive Directors of the Company namely Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict.

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022.

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

Hong Kong, 25 August 2022

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