BC GROUP

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

2022 ANNUAL REPORT

Asia's Leading Digital Asset
and Fintech Company

Parent of

OSL | THE TRUSTED 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

Bank of China (Hong Kong)
CMB Wing Lung Bank
Bank of Communications Co., Limited
Chiyu Banking Corporation Limited
DBS Bank Ltd

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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Floor 7
No. 659 Fengyang Road
Jingan 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
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

INVESTOR RELATIONS

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

"The management is directing a wholesale shift towards technology and artificial intelligence, for now within the scope of the Group's digital assets focus."

DEAR SHAREHOLDERS AND PARTNERS,

I'm writing to you in a period where the world is dramatically changing on a day by day, week by week basis. The amount of change is so pronounced that companies must adapt immediately to succeed. I am directing a wholesale shift towards technology and artificial intelligence, for now within the scope of our digital assets focus.

BACKGROUND

In the digital asset industry, regulators have finally started enforcing regulations, leveling the playing field in our favour. The catalyst for this was bad actors through the reporting period causing significant consumer hurt. This damaged the brand of the digital asset industry, volumes fell dramatically year on year in 2022. BC Group/OSL has however developed an outstanding trusted brand, and that, along with its regulated position, enabled it to grow market share regardless. In fact, in 2022 OSL grew its trading volume by 49% on a year-on-year basis and continued to gain market share globally.

In traditional capital markets, geo-political events have caused drastic shifts in market sentiment and the availability of cheap capital. In our industry this has resulted in a marked shift towards cost-conservative approaches. Early 2022 we were already positioned for restructure. From mid 2022 until now in the first quarter of 2023, we enacted a full scale restructure of our systems and people towards a technological and automation bias. Significant technology upgrades have allowed us to significantly improve the time to market of product change. This is in parallel to an overall reduction of costs near to 40%, while we still rapidly growing the business

Two things are crystal clear to me at this point: Within digital assets, only licensed players have an opportunity to participate in the centralised part of the industry, and Asia is ahead of the curve. We got this part of our strategy right. Separately DeFi will continue to grow and develop at a chaotic pace, providing an innovation feedback loop into the regulated landscape within which we play. We must be agile enough, and technically focussed, to take advantage of this change. Change for us must be a capability, not a project.

Within all industries, particularly technology centric industries, the application of artificial intelligence and modern technologies is going to rewrite the landscape of winners and losers. We are undergoing a technological revolution possibly as profound as the industrial revolution or the wheel itself. For now, only technology early adopters understand this. The evidence is clear in the technology world, large language model (LLM)/Generative Pre-trained Transformer (GPT) repositories have dominated mindshare in Microsoft's GitHub. GitHub is the world's largest repository of open source software and provides a very concrete data point evidencing mindshare.

Early adopters are aware that almost every aspect of data processing and interpretation, *including human level decision making*, is in a race to commoditisation and complete automation. Visionaries such as Elon Musk are also aware this commoditisation will extrude into physical labour, with human-form compatible robots being directed by ubiquitous and nearly free machine intelligence.

The future is very clear. All companies must plan for the intensive application of AI technologies. Possibly within two years, and certainly within five years, the world will be composed of companies who have applied these technologies, and distressed companies who have not. In ten years there won't be any successful companies left who have not.

This also has profound implications for the world's financial services fabric. Financial services will be provided by machines, and consumed by machines. This cycle of service consumption will move inexorably towards tighter cycles, end to end transactions will be sub second, running 3600 seconds an hour, 24 hours a day, 7 days a week.

With a complicated world of machine agents making financial decisions, controlled by states, firms, and individuals, it will be an incredibly adversarial environment. Systems and rails must be capable of safely, correctly, and *continuously* conducting transactions with millions of intelligent autonomous agents across firms, jurisdictions, and time zones.

There is no financial services technology outside of blockchain based platforms that can meet these needs. The intersection of digital assets and a purely online machine driven environment is our financial future.

LOOKING FORWARD

We've successfully built the most pre-eminent, licensed, institutional, credible brand in Asia. We support, service, and onboard blue chip institutional brands on a daily basis.

Meanwhile our competitors are scrambling to gain and mobilise "real" licenses (i.e. frameworks under securities regulators). That distraction (and it was a costly and time consuming one) is now past us. We are looking at what's next. We largely have the former OSL CEO Wayne Trench to thank for our current brand and regulated position. Wayne has moved to a board advisor and partnership role — Wayne will continue to manage and develop blue chip partnerships for the firm.

On a day to day operational basis, I have now taken a very hands on CEO role of the group and OSL, our digital assets business. I am personally taking AI technology and applying it to our business to automate and scale our offerings.

The first part of the AI journey is "organisational knowledge", where the organisation's people gain the skills. Furthermore the organisation itself with its processes, structures and legal frameworks are evolved to the new paradigm.

We have already conducted mandatory training on AI tools across our whole staff base, in every role. Anecdotally business functions are claiming double digital percentage productivity gains. Quantitatively, I have seen empty roles go unfilled as staff have adapted to the use of AI tools instead of hiring.

The next step in this journey, and one we have started, is the continuous application of AI tools to automate each and every part of our business, to accommodate the growth as market share leaves unregulated players for our regulated operations.

ACKNOWLEDGMENTS

Thank you to our investors for your continued support through an extraordinarily turbulent period. The next period will also be tumultuous, but change brings opportunity.

Thanks to our staff and board of directors, that was one hell of a year.

Note: No AI tooling was used for this letter.

Madden Hugh Douglas
Chief Executive Officer
BC Technology Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Directors") of BC Technology Group Limited (the "Company") present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022 ("FY2022", the "Year").

BUSINESS OVERVIEW AND MATERIAL EVENTS

In 2022, the Group continued to demonstrate its resilience and growth potential in the face of unpredictable black swan events in the digital assets market. Despite the challenging market conditions, ranging from macroeconomics to geopolitical events, the Group has maintained its momentum and solidified its position as a leading digital assets platform in Asia.

During the Year, the OSL digital assets platform achieved an impressive year-on-year ("YoY") trading volume growth of 48.9%, driven by the expansion of its client base and its focus on providing a secure and reliable platform for institutional and private investors. The Group's commitment to compliance, strong security and its deep expertise in the Asian regulatory landscape have enabled it to establish a unique competitive position in the region, positioning it for further growth as digital assets continue to gain traction among institutional investors.

Furthermore, pursuant to the Hong Kong Monetary Authority and the SFC joint circular issued on 28 January 2022, OSL has entered into an agreement with Interactive Brokers Hong Kong Limited ("Interactive Brokers") to offer digital assets dealing services directly to its professional investor trading clients in Hong Kong, powered by OSL DS, a wholly owned subsidiary and virtual asset trading platform of the Company. A large number of Hong Kong-based brokerages have started discussions with OSL DS to offer digital assets services supported by OSL trading platform.

In July 2022, OSL DS became the first Type 1 SFC-licensed digital assets broker to distribute security tokens to professional investors in Hong Kong in a private security token offering ("STO"). OSL DS provided the end-to-end services for the STO transaction, acting as the bookrunner, placing agent, fiscal and paying agent, transfer agent, registrar, calculation agent, tokenization technology partner and trading venue. This "proof-of-concept" STO placement is a significant milestone for Hong Kong's capital markets, as it presents tremendous opportunities for issuers and investors to transact digitally based on blockchain technologies in an efficient, safe and reliable way.

OSL's SaaS business continued to grow rapidly in 2022, driven by both the expansion of existing partnerships and the addition of new institutional customers. Established partnerships with DBS, PDAX, Altex, Allaria Technology, and Zodia Markets Holdings Limited ("Zodia Markets") continued to grow in their respective regions, demonstrating the strength and value of OSL's offerings to clients across the financial industry. Moreover, OSL has a robust pipeline of new institutional customers, indicating the growing demand for OSL's innovative solutions.

In particular, FinLink, a bank and financial institutional plug-and-play software and professional services solution, has been gaining traction in the market and growing in popularity. This solution is designed to help banks and other financial institutions begin their digital assets journey and take advantage of the many benefits of this emerging asset class. FinLink is backed by OSL's deep industry expertise and its commitment to compliance and regulatory best practices, providing a secure and reliable option for financial institutions seeking to enter the digital assets space.

Lastly, in 2022, the Group made the strategic decision to gradually scale down its advertising business in Shanghai due to the impact of COVID-19 lockdowns on the market. The Group management believes that the complete closure of its advertising business in Shanghai will free up valuable resources and capital that it can redirect towards its digital assets business, enabling it to further develop and innovate.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Overall Performance

The Group's IFRS income was HK$115.8 million for the Year, representing a decrease of 64.3% from HK$324.3 million for the year ended 31 December 2021 ("FY2021"). The Group's IFRS net loss from continuing operations expanded to HK$550.1 million for the Year, from HK$360.6 million in FY2021. The decrease in IFRS income was mainly attributable to net loss of digital assets used in facilitation of the OSL prime brokerage business of HK$108.3 million and net fair value loss on digital assets of HK$3.4 million, which are treated as part of trading gain/loss from the Group's principal activities.

The overall Group's adjusted non-IFRS income as identified in "Non-IFRS Measures" below was HK$227.6 million for the Year, almost flat from HK$235.1 million in FY2021. Despite the weakness of the broader digital assets market, the overall business has been resilient, thanks to an accelerating shift of trading volume towards regulated platforms and institutional adoption of digital assets.

Loss per share of the Group from continuing operations for the Year was HK$1.28 (FY2021: HK$0.93).

Non-IFRS Measures

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

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

During the Year, digital assets market volatility increased significantly as compared to previous financial periods. The Group recognises net loss of digital assets used in facilitation of prime brokerage business of HK$108.3 million for the Year (FY2021: net gain of HK$100.7 million) and net fair value loss on digital assets of HK$3.4 million for the Year (FY2021: net fair value loss of HK$11.5 million). As the price volatility of digital assets may cause significant impact to the Group's operating performance, the Group considers it appropriate to supplement the consolidated financial statements by presenting income from digital assets and blockchain platform business into (i) margin from trading digital assets and others; (ii) net gain/loss of digital assets used in facilitation of prime brokerage business; and (iii) net fair value gain/loss on digital assets. The Group considers that margin from trading digital assets and other, i.e., adjusted non-IFRS income, can better reflect volumes of the Group's digital assets trading business.

The Group defines margin from trading digital assets and others, i.e. adjusted non-IFRS income from digital assets and blockchain platform business (unaudited), as the realised net gain/loss with reference to the transaction price of the daily trade transactions executed to facilitate the prime brokerage business before considering the fair value movements of the digital assets held. Net gain/loss of digital assets used in facilitation of prime brokerage business is a realized gain/loss from the fair value movement of the digital assets held. Net fair value gain/loss on digital assets is an unrealized gain/loss in nature and it is determined as the fair value movement of the Group's proprietary digital assets on hand which was remeasured at year-end market price as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The table below sets forth a reconciliation of the Group's IFRS income to the Group's adjusted non-IFRS income for the Year and FY2021:

	Audited For the years ended 31 December	
	2022 HK$'000	2021 HK$'000
Income from digital assets and blockchain platform business	**71,480**	277,675
Rental income from business park area management services	**44,365**	46,663
Group's IFRS income	**115,845**	324,338

	For the years ended 31 December	
	2022 HK$'000	2021 HK$'000
Income from digital assets and blockchain platform business in accordance with IFRS (per above)	**71,480**	277,675
Add back:		
Net fair value loss on digital assets	**3,401**	11,471
Net loss/(gain) of digital assets used in facilitation of prime brokerage business (unaudited)	**108,309**	(100,717)
Adjusted non-IFRS income from digital assets and blockchain platform business (unaudited)	**183,190**	188,429
Rental income from business park area management services (per above)	**44,365**	46,663
Group's adjusted non-IFRS income (unaudited)	**227,555**	235,092

MANAGEMENT DISCUSSION AND ANALYSIS

The OSL Digital Assets Platform

During the Year, the OSL digital assets and blockchain platform business continued to be the main income contributor for the Group. The OSL digital assets platform comprises two main business segments: a digital assets markets business (prime brokerage, exchange and custody), and a digital assets technology infrastructure business (SaaS).

The OSL digital assets services business generates income through trade commissions, fees or trading spreads from clients who trade digital assets through the platform. Current clients include high-net-worth-individuals and professional investors. In FY2022, OSL's institutional-focused trading business generated the majority of income for the platform.

The OSL digital assets platform's IFRS income was HK$71.5 million for the Year, representing a decrease of 74.3% from HK$277.7 million in FY2021. Excluding the net loss of digital assets used in facilitation of the OSL prime brokerage business of HK$108.3 million and net fair value loss on digital assets of HK$3.4 million, the OSL digital assets platform's adjusted non-IFRS income was HK$183.2 million, almost flat from HK$188.4 million in FY2021.

OSL prime brokerage adjusted non-IFRS income, which is the combined income from OTC and intelligent Request for Quote ("iRFQ") trading and digital assets lending, declined by 19.4% YoY to HK$133.2 million compared to HK$165.2 million in FY2021. OSL exchange income increased by 78.8% YoY to HK$14.8 million for the Year and income from custodian services was up 5.7% YoY to HK$5.1 million for the Year.

The OSL digital assets platform's total trading volume was HK$455.9 billion for the Year, representing an increase of 48.9% from HK$306.1 billion in FY2021. Brokerage trading volume, which is the combined trading volumes from OTC and iRFQ, was up 59.0% YoY to HK$375.5 billion from HK$236.2 billion. Exchange trading volume was up 24.6% YoY to HK$65.8 billion from HK$52.8 billion. After a number of black swan events in digital assets markets, more institutional customers are accelerating the shift of trading and custody to regulated platforms, driving a substantial surge in volume at OSL. OSL has, as part of its market penetration strategy, offered competitive trading spreads to acquire more institutional customers, resulting in a temporary slowdown in income growth.

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

Service fees from SaaS increased by 197.3% YoY to HK$30.1 million in FY2022 from HK$10.1 million in FY2021. Income for the SaaS business continues to be stable as it has finished its product build and has a robust pipeline of clients.

MANAGEMENT DISCUSSION AND ANALYSIS

Mainland China-based Businesses

The Group operates two Mainland China-based businesses, a business park area management services business and an advertising business. The Group's business park area management services business operates and manages a commercial property in the Jingwei Park business park in Shanghai.

Rental income from business park area management services for the Year was HK$44.4 million, representing a decrease of 4.9% from HK$46.7 million in FY2021. This was mainly attributable to the depreciation of exchange rates of RMB against HKD.

The Group has gradually scaled down the operations of its advertising business as a result of adverse economic conditions due to COVID-19 pandemic and fierce competition from online advertising media. The Group management considers that the closure of the advertising business during the Year will create operational savings and allow the Group to devote more resources to its digital assets and blockchain platform business as a strategic growth priority. The advertising business, reported as discontinued operations of the Group, saw its revenue for the Year decline to HK$7.7 million, a reduction of HK$20.0 million or 72.2% as compared with FY2021. Profit for the Year from discontinued operations amounted to HK$0.14 million (FY2021: loss from discontinued operations amounted to HK$8.7 million).

During the Year, the cost of generating revenues from business park area management services mainly comprised staff remuneration and lease expenses on the business park area. The cost of revenue from business park area management services for the Year was HK$22.0 million, representing a decrease of 4.2% or HK$1.0 million as compared with HK$23.0 million for FY2021. This was mainly attributable to the depreciation of exchange rates of RMB against HKD.

The gross profit for business park area management services for the Year and FY2021 was HK$22.4 million and HK$23.7 million, respectively. The Group's gross profit margin for business park area management services remained steady at approximately 50.0%.

Selling Expenses

Group's selling expenses was HK$55.8 million for the Year, representing a decrease of 36.7% from HK$88.2 million in FY2021. The decrease was mainly due to the absence of warrant expenses of HK$49.8 million recognised in FY2021 in related to warrants granted to J Digital 5 LLC in order to encourage more trading activities to create quantitative benefits to the Group in the form of trading commissions or income resulting from client transaction volumes attributable to the liquidity provided.

Administrative and Other Operating Expenses

Administrative and Other Operating Expenses for the Year increased by HK$43.6 million or 8.2% to HK$574.0 million as compared to FY2021. The increase was mainly due to the increase in expenditures by HK$89.8 million related to establishing the corporate and technical infrastructure for the digital assets business, including technology, legal and compliance and insurance. The increment in administrative and operating expenses is partially offset by the decrease in share-based payment expenses by HK$63.8 million as a result of the less grants of share options and awarded shares and higher forfeiture rates adopted for the Year. However, expenses in the second half slowed down significantly, as the Group gradually reduced the technology related spendings, after the successful completion of a number of technology upgrades.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Loss

Net loss of the Group from continuing operations for the Year was HK$550.1 million, an increase of HK$189.5 million as compared with HK$360.6 million for FY2021. Despite fair value gains from financial assets for the Year, 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, the expansion of the Group's digital assets and blockchain platform business globally, and the increase in share of loss of an associate.

Human Resources Cost

As at 31 December 2022, the Group had a total of 209 employees in Hong Kong, Singapore, the UK, the Americas and Mainland China (FY2021: 239 employees). The total staff cost before capitalisation during the Year was HK$314.4 million (FY2021: HK$354.6 million). The decrease in staff cost was mainly due to the decline in share-based payment expenses for the Year.

During the Year, out of employee benefit expenses (including research and development costs), HK$7.5 million (FY2021: HK$5.4 million) was mainly capitalised as contract assets associated with the assignment of an intellectual property to Zodia Markets. The research and development cost was driven by the Group's expansion of its technical capabilities and resources in the digital assets and blockchain industry.

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

The Company operates a share option scheme for the purpose of providing incentives to, retaining, recognising and motivating the eligible Directors, employees and other eligible participants who make contributions to the Group. The Company adopted the share option scheme ("2012 Share Option Scheme") on 10 April 2012. On 28 May 2021, the Company terminated the 2012 Share Option Scheme and adopted the new share option scheme ("2021 Share Option Scheme'). Upon termination of the 2012 Share Option Scheme, no further share options may be granted thereunder. In respect of all operations which remained exercisable on such date, the provisions of the 2012 Share Option Scheme remained in full force and effect. During the Year the Company granted 17,730,000 share options under the 2021 Share Option Scheme on 22 July 2022 (FY2021: 5,000,000).

The Company also adopted the 2018 Share Award Plan to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group. The Company granted 3,679,430 new shares ("Awarded Shares") under its 2018 Share Award Plan during the Year, in which 349,430 Awarded Shares were granted on 4 April 2022 and 3,330,000 Awarded Shares were granted on 22 July 2022 (FY2021: 2,720,860).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead to 2023, the Group is well-positioned to capitalize on the rapidly evolving digital assets landscape in Hong Kong and beyond. Despite the volatility and uncertainty that often characterizes the digital assets market, the Group has a healthy balance sheet and a proven track record of weathering challenging market conditions. As such, the Group is well-positioned to continue to grow and gain market share in the coming year.

A consultation process kickstarted by Financial Services and the Treasury Bureau (FSTB) and SFC in Hong Kong recently that includes retail investor access to digital assets trading, security tokens, and digital-asset-linked ETFs in Hong Kong, represents a significant positive catalyst for the OSL's licensed digital assets platform business. With its scalable SaaS model and inter-connectivity with licensed brokers, banks, and intermediaries, OSL is uniquely positioned to service the significant retail opportunity in Hong Kong and drive growth in the local digital assets ecosystem. This policy update will also encourage tier-1 financial institutions to accelerate entry into digital assets, further bolstering OSL's institutional-focused digital assets business.

OSL's recent launch of the first STO in Hong Kong is also a significant development that will open up a new service line and income stream for the OSL. This, combined with the expectation of continued trading volume growth in 2023, will provide a strong foundation for OSL's financial performance in the coming year.

Additionally, OSL's brokerage business has onboarded a growing number of customers and partners during the recent black swan events, further solidifying OSL's position as a trustworthy, regulated, and compliant partner for clients seeking a safe and reliable digital assets platform. Moreover, OSL's strong partnerships, including the agreement with Interactive Brokers that has successfully gone live in February 2023, will continue to drive growth and innovation in the digital assets industry.

Looking forward, OSL will also pursue opportunities to enhance the breadth and depth of its offering, expand its expertise in engineering and other functional areas, and reinforce its position as a leader in the digital assets industry. As regulation, resilience, and adoption continue to drive the evolution of the industry, OSL is committed to providing innovative solutions that meet the needs of institutional and retail investors alike, while continuing to deliver value and growth for its stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2022, the Group recorded total assets of HK$2,514.3 million (31 December 2021: HK$5,278.8 million), total liabilities of HK$1,855.0 million (31 December 2021: HK$4,087.6 million) and total shareholder equity of HK$659.3 million (31 December 2021: HK$1,191.1 million). As at 31 December 2022, the gross gearing ratio (defined as total liabilities over total assets) was approximately 73.8% (31 December 2021: 77.4%).

The Group's cash position, after deduction of cash liabilities due to clients, as at 31 December 2022 was HK$426.9 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$158.3 million as of 31 December 2022 given a significant decline in the market value of crypto currencies in FY2022.

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

As of 31 December 2022, total borrowing amounted to HK$32.9 million (31 December 2021: HK$119.1 million). The Group's borrowings denominated in HKD and asset-backed stablecoins, were interest bearing with interest rates ranging from 4% to 12% per annum (31 December 2021: HKD, United States dollar ("USD") and asset-backed stablecoins, were interest bearing with interest rates ranging from 3% to 8% per annum).

No borrowing was secured by digital assets as at 31 December 2022 (31 December 2021: HK$64.1 million borrowings was secured by digital assets). As at 31 December 2022, the Group was in a net current assets position (31 December 2021: net current assets position).

Net Proceeds from January Subscription and Placing and June Placing

On 5 January 2021, the Company entered into the placing and subscription agreement with East Harvest Global Limited (the "Vendor") and Morgan Stanley & Co International PLC ("Morgan Stanley") pursuant to which (i) Morgan Stanley acted as agent for the Vendor to place a total of 45,000,000 placing shares at a placing price of HK$15.5 per placing share to no less than six independent placees; and (ii) the Vendor agreed to subscribe for 45,000,000 new ordinary shares at the subscription price which is equal to the placing price ("January Subscription & Placing").

The net proceeds from the January Subscription & Placing were approximately HK$658.0 million. Details of the January Subscription and Placing were disclosed in the Company's announcement dated 6 January 2021.

On 11 June 2021, the Company appointed Macquarie Capital Limited to place a total of 31,952,500 new ordinary shares at a placing price of HK$17.0 per placing share to GIC, a global investment management company to manage Singapore's foreign reserves. ("June Placing").

The net proceeds from the June Placing after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) were approximately HK$534.7 million. Details of the June Placing were disclosed in the Company's announcement dated 11 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The proceeds from January Subscription and Placing and June Placing have been utilised as intended. The table below sets out the actual use of proceeds from the January Subscription and Placing and June Placing up to 31 December 2022:

Event	Purpose of the net proceeds	Amount of net proceeds intended to be allocated HK$ million (approximately)	Actual utilised amount as of 31 December 2022 HK$ million (approximately)	Unutilised amount as of 31 December 2022 HK$ million (approximately)	Expected timeline for utilisation of the unutilised proceeds
January Subscription and Placing	For developing and enhancing platform technology of digital asset platform business	40	40	–	N/A
	For maintaining sufficient liquid capital to satisfy SFC license requirement of the licensed entity and the expansion of prime brokerage business	225	225	–	N/A
	For operating working capital including rental expenses, staff costs, marketing and IT expenses, other general expenses and professional fees	293	293	–	N/A
	For potential future acquisition and general working capital of the Group	100	100	–	N/A
		658	658	–	
June Placing	For IT-related costs including digital transformation, developing and enhancing platform technology of digital asset platform business	198	134.1	63.9	On or before 30 June 2024
	For operating working capital other than IT-related costs including rental expenses, staff costs, marketing expenses, other general expenses and professional fee	236	181.6	54.4	On or before 30 June 2023
	As reserves for future expansion in markets including UK, Singapore and America	100	91.6	8.4	On or before 30 June 2023
		534	407.3	126.7	

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policy

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group currently operates in Hong Kong, Singapore, UK, Americas 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. The digital assets trading transactions are mainly denominated in USD with only some local operating expenses being settled in the currencies with respective countries, any related exposures as such to foreign exchange risk are minimal.

No financial instrument was used for hedging purposes for the Year. However, the Group is closely monitoring 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 or disposals of subsidiaries (2021: Nil).

Charge on the Group's Assets

As of 31 December 2022, the Group did not have any significant pledge (31 December 2021: digital assets of 496 Bitcoin).

Future Plans for 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 subscription of 24.99% equity interest in Zodia Markets, which was a new entity incorporated in the UK. As at 31 December 2022, the Group's total commitment contracted but not provided for was an assignment of an intellectual property.

Contingent Liabilities

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

EVENTS AFTER THE REPORTING PERIOD

On 25 October 2022, the Group announced that two wholly owned subsidiaries of the Group, Shanghai SumZone Marketing Co, Ltd. (上海三眾營銷策劃有限公司) and Shanghai SumZone Advertising Co., Ltd. (上海三眾廣告有限公司), would cease to operate. These subsidiaries were subsequently deregistered in accordance with the applicable laws and regulations in the PRC on 21 February 2023 and 16 January 2023 respectively. They were principally engaged in the provision of traditional advertising services, public relations services and event marketing services in Mainland China. Other than that, there are no material subsequent events relating to the Company or the Group after 31 December 2022 and up to the date of issuance of these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK DISCLOSURES

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

(a) Business Development and the Associated Risks in 2022

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

Management considers the risks and uncertainties associated with the digital assets and blockchain platform business largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry continues to evolve, the Group has been implementing an operational infrastructure to support business development and growth. The infrastructure includes identifying physical locations, expanding IT infrastructure and maintaining control and support functions with an emphasis on laws and regulations, compliance, risk, financial reporting and operations.

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

(i) Regulatory Risk in Relevant Jurisdictions

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

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

In Singapore, the Payment Services Act ("PSA") went into effect on 28 January 2020. OSL SG Pte. Ltd. ("OSLSG"), a Singapore-based wholly owned subsidiary of the Group, previously submitted a notification to the Monetary Authority of Singapore ("MAS") that it is providing digital payment token services in Singapore and submitted an application for a license. OSLSG is currently in the license application process, and, pending review of its application by the MAS, is exempt from holding a license under the PSA until the date that the licence application is approved or rejected by the MAS.

In addition, OSL Digital Limited, a wholly owned subsidiary of the Group incorporated in the British Virgin Islands, provides digital assets trading services to certain Latin American and certain North American clients. The provision of digital assets services is currently unregulated in the British Virgin Islands and certain Latin American jurisdictions; in the United States of America, OSL Digital Limited was registered as a Money Services Business in November 2021 with the Financial Crimes Enforcement Network, Department of the Treasury of the United States of America.

In light of the license in Hong Kong, the pending license application in Singapore, the Money Services Business registration in the United States of America and ongoing regulatory developments across the globe, the Group's digital assets trading businesses are and will continue to be subject to the stringent regulatory compliance requirements in each relevant jurisdiction in which the Group may operate. This includes, but not limited to, Anti-Money Laundering ("AML") requirements for systems and controls, and in the case of Hong Kong and Singapore, requirements for minimum capital and liquid assets, business continuity, client asset protection, periodic reporting as well as financial and compliance audits.

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

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

(ii) Price Risk of Digital Assets

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

The Group also holds digital assets that are not yet withdrawn by customers out of their accounts under the terms of its contracts with such customers. These digital assets are held in the Group's wallets which support rapid settlement of traded transactions, thereby minimising settlement risk for the Group. Unless required to do otherwise by applicable laws, regulations or conditions of license relating to any licensed entities of the Group, digital assets held in customers' accounts correspond to a liability due to the customers with both the digital assets and liability to customers recorded at fair value. Alternatively, where licensed entities of the Group are required to hold customers' assets on trust for the customers, such assets constitute trust assets, and are not accounted for as assets of the Group, and do not give rise to liabilities to the relevant customers. Therefore, in either case, the Group has no price volatility exposure from these holdings.

(iii) Risks Related to Safekeeping of Assets

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

To mitigate such risks, the Group has implemented guidelines and risk control protocols to adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital assets wallet solution with comprehensive security controls and risk mitigation processes in place. Control procedures cover wallet generation, day-to-day wallet management and security, as well as monitoring and safeguarding of the Group's "hot" and "cold" wallets and public and private keys. In 2022, the Group continued to maintain insurance cover from third-party insurance providers covering both its "hot" and "cold" wallets.

(iv) Risks Related to Source of Funds and Anti-Money Laundering

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

To mitigate such risks, the Group has implemented policies and procedures for AML, Know-Your-Customer ("KYC"), and Know-Your-Business ("KYB") that are initiated during the client onboarding process and are applied by way of continuous monitoring, review and reporting. In designing these policies and procedures, the Group has considered industry best-practice, respective regulatory requirements and Financial Action Task Force (FATF) recommendations and guidance as the industry moves towards regulation.

(v) Technology Leakage Risk

The Group's key competitive 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, limited access rights for all staff, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information Security Risks

Both the Group and client information are maintained on proprietary data infrastructure in conjunction with cloud service providers; such infrastructure is connected to the public internet and therefore subject to potential cyber-attacks.

To mitigate such risks, the Group's dedicated security team 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 access principle, robust data access management, 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 a proposed business or product will only be forthcoming once the Group's New Product Committee is satisfied that all necessary controls and support function processes are fully implemented.

(viii) Credit Risk

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

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

In regards to recent events after the reporting period in the US banking sector where the world witnessed failures of Silicon Valley Bank and the seizure of Signature Bank by US regulators, OSL enacted its Crisis Management Team so as to provide senior-level management of all OSL activities and in particular, (a) strict controls over trading and settlements that involved US Dollar in either trade leg and (b) comprehensive review of all banking lines and restrictions of bank deposits that involved US Dollar banking operations.

OSL's approach combined cautious and prudent risk management with highly controlled servicing of existing clients that resulted in safe order management, trade execution and settlement activity, albeit on a reduced universe of trading assets. The Crisis Management Team maintained its vigilance over an extended period of time as US regulators rolled out support to various banks and end clients; normal trading activity was recommenced after careful consideration of client credit health, trading activities across liquidity providers, banking relationships and enhanced supervision of settlements. As mitigated by the risk management practice outlined above and a diverse base of banking relationships in Asia Pacific, the U.S. and Europe, the impact of the US banking turmoil only had a short term and minimal impact on OSL overall business.

(ix) Business Continuity

The Group operates its technology stack with remote data centre sites and has implemented business continuity and disaster recovery plans. The disaster recovery capability has been implemented to ensure resilience against external and internal threats, allowing business activities to continue during catastrophes and crises, such as disruption of utilities or denial of physical access to business offices.

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

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

(x) Operational Risk

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

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

(xi) Performance Risk

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

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

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

(xii) Investment Risk

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Ken Bon ("Mr. Lo"), aged 46, has been an executive Director of the Company since April 2018 and the Deputy Chairman of the Board since July 2019. He is also the chairman of the Nomination Committee, the Risk Management Committee and a member of the Remuneration Committee.

Mr. Lo is a blockchain thought leader with over 20 years' experience in management consulting and strategy execution. Widely recognised 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 is a member as well as the director of Hong Kong Securities Institute ("HKSI") and the chairman of the Innovation and IT Control Committee. He also serves on the Corporate Membership Outreach Committee of 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.

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

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), aged 71, has been an executive Director of the Company since April 2018. 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 experience in direct investment, mergers and acquisitions, TMT (Technology, Media and Telecom) and financial services.

Mr. Madden Hugh Douglas ("Mr. Madden"), aged 46, has been an executive Director since August 2018 and the Chief Executive Officer of the Company since July 2019. 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 Lead Architect, FX, at HSBC and as Solutions Architect, Institutional Banking & Markets at Commonwealth Bank of Australia. His professional experience also includes senior roles at Lloyds Bank, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chapman David James ("Mr. Chapman"), aged 42, has been an executive Director of the Company since August 2018. In his role, he focuses on strategic partnerships and investor relations for the Group. He is also a director in a number of subsidiaries of the Company.

Mr. Chapman is a serial entrepreneur and has more than 20 years of experience in blockchain, digital assets, finance and technology.

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.

Mr. Tiu Ka Chun, Gary ("Mr. Tiu"), aged 45, has been an executive Director of the Company since July 2019. He is also the Company Head of Regulatory Affairs.

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 59, has been an independent non-executive Director of the Company since April 2018. 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 30 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms. Mr.Chau was a key member who found their corporate finance division and held the position as their Head of Merger and Acquisition 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 senior fellow and an ex-director of the HKSI and he is the ex-chairman of Corporate Membership Outreach Committee and China Strategy Committee. Mr. Chau is a member of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and a trustee of the PYNEH Charitable Trust.

Mr. Chau is currently an independent non-executive director and audit committee chairman of China Evergrande Group (stock code: 3333), China Evergrande New Energy Vehicle Group Limited (stock code: 708), China Ruyi Holdings Limited (stock code: 136), productive technologies Company 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chia Kee Loong, Lawrence ("Mr. Chia"), aged 68, has been an independent non-executive Director of the Company since April 2018. 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 is currently an independent non-executive Director of Unicorn II Holdings Limited (formerly New Frontier Health Corporation, a public listed company in the New York Stock Exchange, delisted in September 2022).

Mr. Tai Benedict ("Mr. Tai"), aged 67, has been an independent non-executive Director of the Company since June 2018. 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 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. Davin Wu ("Mr. Wu") , aged 38, was appointed as the Group Chief Financial Officer of the Company in March 2022.

Having worked in the finance industry for 18 years, Mr. Wu has extensive experience in financial management, M&A, investor relations and capital markets. Mr. Wu held positions in a number of leading Hong Kong listed technology companies, investment banks and Big Four accounting firm, including DIT Group, Digital China, Credit Suisse AG, Goldman Sachs (Asia) L.L.C., PricewaterhouseCoopers. Mr. Wu holds a bachelor's degree in accounting and finance from the University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2022.

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 standards and 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. In return, this benefits the Group's stakeholders as a whole, ensures that overall business risk is understood and managed appropriately and that high ethical standards are maintained.

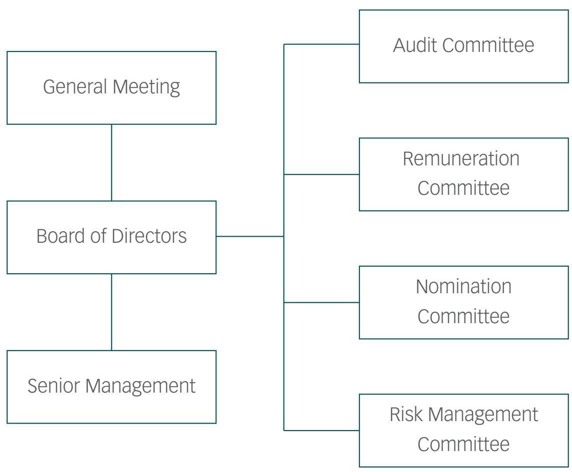
CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the "CG Code") as published by the Stock Exchange sets out the principles of good corporate governance.

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 the principles and applicable code provisions under the CG Code during the year ended 31 December 2022. 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:



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 2022.

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 fulfill their 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 operations 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 senior management. Clear directions as to the powers, scope of delegation and relevant arrangements are given to senior management and are 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 senior management enters into any material transactions and assumes any significant commitments on behalf of the Company.

The Board monitors senior 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

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

Corporate Governance

The Company has adopted a board charter and terms of reference which sets out the role and responsibilities of the Board. The Board is responsible for performing its corporate governance duties as set out below. The Board discharges the following responsibilities either by itself or through delegation to the Board Committees:

— appoint any other committees that the Board decides as needed and delegate to those committees any appropriate powers of the Board.

— provide independent, effective leadership to supervise the management of the Company's business and affairs to grow value responsibly, in a profitable and sustainable manner, and in the best interests of its shareholders

— review the Company's policies and practices on corporate governance

— review and monitor the training and continuous professional development of Directors and senior management

— review and monitor the Company's key policies and practices in compliance with legal and regulatory requirements

— develop, review and monitor the code of conduct applicable to employees and Directors

— review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report

During the Year, the Board has (i) reviewed and monitored the training and continuous professional development of Directors and senior management; (ii) reviewed the Company's key policies and practices on corporate governance and compliance and ensured compliance of the relevant legal and regulatory requirements; and (iii) reviewed the code of conduct, the CG Code and the disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board is structured with a view to ensure 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.

As of 31 December 2022, the Board comprises eight Directors, five of whom are executive Directors (namely, Mr. Lo Ken Bon (Deputy Chairman), Mr. Madden Hugh Douglas (Chief Executive Officer), Mr. Ko Chun Shun, Johnson, Mr. Chapman David James and Mr. Tiu Ka Chun, Gary, three of whom are independent non-executive Directors (namely, Mr. Chau Shing Yim, David, Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict). They bring to the Board a wide range of professional experience in the business, financial, legal, technical and industrial fields, which contribute to the effective direction of the Group.

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.

Board Independence

The Board always maintains its independence. As of 31 December 2022, three out of our eight Directors were independent non-executive Directors.

Board independence is regularly and consistently reviewed and maintained, including through:

— Strict compliance with our code of conduct, which aims to avoid conflicts of interest;

— Separate discussions amongst independent non-executive Directors and Deputy Chairman, without the presence of other executive Directors to provide independent views and input;

— Full disclosure in annual reports of cross-directorships or other business relationships that may interfere with Director's independence;

— Independent professional advice, as and when required by individual Directors; and

— Review by Nomination Committee of potential conflicts of interest and recommendation appropriate actions to take.

During the Year, the Nomination Committee carried out a detailed review of the Directors' independence and was satisfied that each of the three independent non-executive Directors was independent at the time of review.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive

The CG Code requires that the roles of 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. Their respective responsibilities are clearly defined and set out in writing.

The Deputy Chairman of the Board provides leadership and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. With the support of the senior management, he is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner with appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer is responsible to the Board for the overall management and profit performance of the Group, including implementation of all objectives, policies, major strategies and initiatives adopted by the Board, day-to-day operations and administration, within the framework of Company policies, reserved powers and routine reporting requirements.

The Board will also continue to 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 at the time 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. Madden Hugh Douglas, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence 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. We have three independent non-executive Directors, two of which have appropriate professional qualifications and financial expertise. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

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 Director an annual confirmation of his independence 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 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 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 C1.4 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 2022, all current Directors 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.

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 set up four board committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee. Half or more of the members of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee are independent non-executive Directors to ensure that independent and objective opinions are sufficiently expressed and that the committees serve their roles of inspection and supervision. Each committee has its specific terms of reference with reference to the Code.

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 three independent non-executive Directors (including two independent non-executive Directors who possess the appropriate professional qualifications or accounting or related financial management expertise), 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 other things, (i) to monitor, review the financial reports and give advice on matters related to financial reporting; (ii) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and (iii) to oversee internal control procedures of the Company.

During the Year, the Audit Committee has held 3 meetings with all members present. The Audit Committee has (i) reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022 and unaudited consolidated financial statements for the period ended 30 June 2022; (ii) made recommendations on the reappointment of the external auditor; (iii) reviewed and approved on the internal audit plan and internal audit charter; and (iv) reviewed the internal control reports of the Company and assessed the effectiveness of the Group's internal control system.

There is no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Risk Management Committee

The Risk Management Committee currently comprises two independent non-executive Directors, Mr. Chau Shing Yim, David and Mr. Tai Benedict, an executive Director, Mr. Lo Ken Bon, and the Chief Risk Officer of the Company. Mr. Lo Ken Bon is the Chairman of the Risk Management Committee.

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 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 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.

The Risk Management Committee has held 1 meeting during the Year with all members present. The Risk Management Committee has (i) reviewed the potential risks in overall business, risk management strategies of the Group; (ii) reviewed risk management system; 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".

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence, and an executive Director, Mr. Lo Ken Bon. Mr. Chau Shing Yim, David is the Chairman of the Remuneration Committee.

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) to assist the Company in 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 Remuneration Committee has adopted a model wherein it determines, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Company has adopted a Director and Employee Remuneration Policy, it sets out the general principles which guide the Group to deal with the remuneration matters. This remuneration policy aims to provide a fair market level of remuneration to retain and motivate high quality directors, senior management and employees of the Group and attract experienced people of high calibre to oversee the business and development of the Group.

Executive Directors' remuneration packages shall comprise fixed and variable components linking to individual and the Group's performance. For Non-executive Directors, they shall receive fixed remuneration/fee to be set at an appropriate level to attract and retain first-class non-executive talent by reference to the relevant time commitment and the size and complexity of the Group and benchmarked against a peer group.

Employees (including senior management) shall comprise fixed and variable components with reference to a mix of local and regional professional firms and major corporations.

The goal 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 the Remuneration Committee has held 6 meetings with all members present. The Remuneration Committee has (i) reviewed the remuneration packages of all the Directors and senior management of the Company and make recommendations to the Board on their remuneration packages; and (ii) reviewed and approved, proposed to the Board for approval the Options and Awarded Shares granted to the selected participants.

In regards to grant of options to Directors and senior management and grant of Award and Shares to senior management it has taken into consideration factors such as individual performance, level of responsibilities, time commitment, the business performance, as well as the prevailing market condition. The Remuneration Committee considers the grant of Options and Awarded Shares to Directors and senior management are to recognize their past contribution as well as motivate their expected future contribution to the success and development of the Group and align of the purpose of both the share option scheme and share award plan.

In determining the number of the Options and Awarded Shares to be granted, the Remuneration Committee has mainly considered the following factors: (a) the seniority and the importance of the work position, taking into account the background of the grantees; (b) the contribution of the grantees; (c) the individual performance of the grantees; and (d) the Group's overall business performance, objectives and future development plan. The Remuneration Committee believes that the future success of the Group is closely tied to the commitment and efforts of the grantees, and the Options and Awarded Shares were made to them in recognition of their past contribution to the development and business performance of the Group and as an incentive for their continuing commitment and contribution towards the sustainable growth of the Group. The Remuneration Committee is of the view that the terms of the Options and Awards are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The remuneration paid to the senior management by bands for the Year is set our below:

Emoluments Band	Number of individuals
HK$500,001 to HK$1,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$4,000,001 to HK$4,500,000	1

Nomination Committee

The Nomination Committee currently comprises two independent non-executive Directors, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence, and an executive Director, Mr. Lo Ken Bon. Mr. Lo Ken Bon is the Chairman of the Nomination Committee.

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 (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) make recommendations to the Board regarding the appointment or reappointment of Directors of the Company; (iii) assess the independence of independent non-executive Directors; and (iv) recommend Directors who are going to retire to be put forward for re-election.

The Nomination Committee has held 1 meeting during the Year with all members present. The Nomination Committee has (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed on the nomination policy and board diversity policy, and (iv) recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting.

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 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 of the measurable objectives that the Board has set for implementing the board diversity policy, and monitoring of the progress in achieving the measurable objectives.

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 will 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 from 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 for 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 independence 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.

Above factors are for reference only, and not meant to be exhaustive and decisive. To ensure that the existing nomination policy continues to be implemented smoothly in practice, the Company shall undertake regular reviews and reassess the policy regarding to the regulatory requirements, good corporate governance practice and the expectations of the Shareholders and other stakeholders of the Company. Any amendment to the nomination policy, the Company shall propose to the Board for approval.

BOARD DIVERSITY POLICY

With a view to achieve a sustainable and balanced development, the Company has been considering diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. 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.

Pursuant to the board diversity policy,

— 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 Nomination Committee will review annually the structure, size and composition the Board and where appropriate, make recommendations on changes to the Board to complement of the Company's corporate strategy and ensure that the Board maintains a balanced diverse profile;

- In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge as well as length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices are appropriately structured so that a diverse range of candidates is considered.

The Nomination Committee shall consider candidates on merits as well as against the measurable objectives with due regard to the benefit of the appropriate diversity of perspectives within the Board and also the candidates' potential contributions thereto.

The Board considers that the current board composition are from diverse and complementary backgrounds and that it meets the criteria (except that there is no female director in the Board) of the board diversity policy. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group. As of the date of this report, the Board comprises eight male Directors.

Having reviewed the Board composition, the Nomination Committee recognises the importance and benefits of the gender diversity at the Board level and the Company is committed to improve gender diversity as and when suitable candidates are identified. The Nomination Committee will use its best endeavors and on suitable basis to, during the year 2023 and 2024, identify and recommend suitable female candidates to the Board for its consideration on appointment of a director. The Company will appoint at least one female director no later than 31 December 2024.

In order to maintain gender diversity, similar considerations will be taken when recruiting and selecting senior management and employees of different categories. The Company has adopted and will continue to adopt measures to promote the diversity of employees in all levels. All eligible employees will equally have the opportunities in employment, trainings and career development. The Company will, when recruiting middle-level and senior managers, continue to ensure gender diversity. In this way, the Company will be able to have a number of senior management positions for females and invite potential females to join the Board in due course, so as to ensure the gender diversity of the Board.

During the Year, we maintained a 34:66 ratio of women to men in the workplace (including senior management). After consideration, the Board is of the view that we have achieved the gender diversity of employees. For details, please refer to our "Environmental, Social and Governance Report" published by the Group.

The Board will review the board diversity policy on an annual basis to ensure its continued effectiveness.

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 the Company. The Deputy Chairman also holds meetings with the independent non-executive Directors, in the absence of other Directors, to consider issues in an informal setting.

During the year ended 31 December 2022, a total of ten (10) Board meetings and one (1) general meeting (the "2022 AGM") were held and the attendance records of each Director at the various meetings of the Company 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	10	3	6	1	1	1
Executive Directors						
Lo Ken Bon	10/10	–	6/6	1/1	1/1	1/1
Ko Chun Shun, Johnson	10/10	–	–	–	–	1/1
Madden Hugh Douglas	10/10	–	–	–	–	1/1
Chapman David James	10/10	–	–	–	–	1/1
Tiu Ka Chun, Gary	10/10	–	–	–	–	1/1
Independent non-executive Directors						
Chau Shing Yim, David	10/10	3/3	6/6	1/1	1/1	1/1
Chia Kee Loong, Lawrence	10/10	3/3	6/6	1/1	–	1/1
Tai Benedict	10/10	3/3	–	–	1/1	1/1

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by the external auditor to the Group in 2022 is summarised as follows:

Services rendered	Fees paid/payable HK$
PricewaterhouseCoopers	
Audit service	11,150,000
Non-audit service	
Fee for tax compliance and other advisory services	7,666,599

COMPANY SECRETARY

The Company Secretary supports the Board and the board committees by ensuring good information flow and that Board policy and procedures are followed. She advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

Ms. Chau Wing Kei, the Company Secretary of the Company was appointed by the Board in February 2019. During the Year, Ms. Chau complied with Rule 3.29 of the Listing Rules and had taken no less than 15 hours of relevant professional training to update her skills and knowledge.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board and the Directors

The Directors acknowledge their responsibility in 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 audit of the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 64 to 71 of this annual report.

Senior Management

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 updates 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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board endeavours to develop and maintain continuing relationships and effective communications with the shareholders and investors of the Company. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decisions.

Investor Relations

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 an 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 post at the Company's office address.

Shareholders Communication Policy

The Company has established a shareholders communication policy ("Shareholders Communication Policy") to set out the Company's processes to provide shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company on a consistent basis.

The financial reports (annual and interim reports), regulatory disclosures, annual general meetings and other general meetings of the Company are the primary forum for communication and engagement with shareholders and the investment community.

All announcements and notices are published on the websites of the Company (bc.group, a dedicated Investor Relations website) and the Stock Exchange (www.hkex.com.hk). All presentation materials and press releases provided in conjunction with the Company's results announcement each year are made available on bc.group as soon as practicable after their release. Monthly investor updates containing broader market news and business progress of the Company (in English and Chinese) are also published on bc.group and distributed in email to shareholders and the investment community who registered and gave consent to receive such materials.

In addition, to promote greater understanding and on-going dialogue with the investors, the Company holds regular conference calls, luncheon meetings, on-site visits, industry forums and gatherings with the investors in connection with the Company's annual and interim results as well as business updates. During results presentation and conference calls, the Company's Chief Executive Officer or his delegate will present the Group's performance to the investors and answer questions. The results presentation and Q&A are also broadcasted live via webcast, in order to enhance the communication with the broader investment community. Apart from this, designated senior management maintain regular dialogue with institutional investors to keep them abreast of the Group's development, subject to compliance with applicable laws and regulations.

Moreover, Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Investor Relations Department or the Company Secretary of the Company. Shareholders and the investment community can also contact the Investor Relations team of the Company via calling general hotline (+852 3504 3200), submitting online enquiry forms or emailing its public email (ir@bc.group).

The Shareholders Communication Policy is reviewed annually to ensure its implementation and effectiveness and is posted on the Company website.

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.

CORPORATE GOVERNANCE REPORT

Company's Constitutional Documents

The Company adopted the second amended and restated memorandum and articles of association of the Company (the "Constitutional Documents") on 29 June 2022.

Please refer to the announcements of the Company dated 6 June 2022 and 29 June 2022 and the circular of the Company dated 6 June 2022 for further details. The latest versions of the Constitutional Documents are available on the websites of the Company and the Stock Exchange.

Shareholders' Meeting

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Board of Directors are available to answer questions at the shareholders' meetings. The Company's external auditor attends the annual general meeting and is available to answer questions relating to the conduct of its audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Shareholder Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring Directors. All votes of the shareholders at shareholders' meetings are taken by poll. Poll results are posted on the websites of the Company and the Stock Exchange following the shareholders' meetings.

Procedures for shareholders to convene an extraordinary general meeting

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, 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 can 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. The Company's share registrar would provide a designated contact person, an email addresses and/or a 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 Investor Relations Department by emailing to ir@bc.group or calling +852 3504 3200. Shareholders may also put forward their written enquiries at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established a robust risk management framework to ensure significant risks are identified, evaluated, managed and controlled.

The Board 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, is also devoted to maintain 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 Risk Management Committee and the Audit Committee are supported by the OSL Risk Committee and various sub-committees comprising of various senior executives and operational department heads to provide oversight of the risk management initiatives.

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 individual business unit is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time. Risk, Compliance, Legal and Finance departments as oversight functions bring expertise, process excellence and controls and help ensure that the risk and control procedures are operating as intended.

The Group has established the internal audit function to carry out the Group's internal control review with a view to assist the Group to implement its risk assessment and reviewing its internal control systems. The internal audit function directly reports to the Audit Committee and has right to access all records, assets and personnel as stipulated in the internal audit charter. The internal audit function follows a risk-based approach to formulate the audit plan that focuses on the high-level risks identified. The Audit Committee reviews and approves annually the internal audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The internal audit function monitors the follow-up actions agreed upon in response to recommendations.

The internal audit function assisted the Board, the Audit Committee and the Risk Management Committee in reviewing the effectiveness of risk management and internal control systems and performed its functions during the Year. The Audit Committee and the Risk Management Committee provided independent review on the effectiveness of the internal control and risk management systems of the Group, respectively, and gave their recommendation to the Board. The Board is responsible for reviewing the internal audit reports and approving key policies and procedures designed by senior management.

The Board had reviewed the risk management and internal control systems for the Year through the Audit Committee, the Risk Management Committee, senior management of the Company and the internal audit function, and considered the systems are effective and adequate. Such review covered (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 systems 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 applicable 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 Company makes reference to the "Guidelines on Disclosure of Inside Information" issued by the SFC in June 2012 in handling and dissemination of inside information.

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.

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.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2022.

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 150 to 152 of this annual report. During the Year, the Group were principally engaged in the digital assets and blockchain platform business in Hong Kong and Singapore. The Company also has an advertising business and a business park area management services business 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 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 72 to 73.

The Board does not recommend payment of any dividend for the year ended 31 December 2022 (2021: Nil).

BUSINESS REVIEW

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group and an indication of likely future development in the Group's business 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.

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 independent report entitled "Environmental, Social and Governance Report" published by the Group. The discussions form part of the 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 options during the Year are set out in Notes 34, 40 and 41, respectively to the consolidated financial statements on pages 171 to 172, pages 181 to 182 and pages 182 to 187, respectively in 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 35 to the consolidated financial statements and the consolidated statement of changes in equity on pages 76 to 77 of this annual report, respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2022, distributable reserves of the Company amounted to approximately HK$968.9 million (2021: approximately HK$1,600.0 million).

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 191 to 192 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 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.

DIRECTORS

The Directors of the Company during the year ended 31 December 2022 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, Mr. Madden Hugh Douglas, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence 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 pursuant to Rule 3.13 of the Listing Rules. 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.

PERMITTED INDEMNITY

Pursuant to the Company's Articles, 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

None of the Directors who are 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).

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 37 to the consolidated financial statements, 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 2022.

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 21 to 23 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, and are related 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 46 to 58 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 40 and 41 to the consolidated financial statements respectively, there were no other equity-linked agreements entered into by the Company during the year ended 31 December 2022 or subsisted as at 31 December 2022 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.

SHARE OPTION SCHEME OF THE COMPANY

2012 Share Option Scheme

The Company adopted the 2012 Share Option Scheme on 10 April 2012. The terms of the 2012 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and the major terms were summarised as follows:

(a) Purpose of the 2012 Share Option Scheme

The purpose of the 2012 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.

(b) Participants of the 2012 Share Option Scheme

The Board is authorised, at its absolute discretion and subject to the terms of the 2012 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.

(c) Total number of shares available for issue under the 2012 Share Option Scheme

The total number of shares available for issue under the 2012 Share Option Scheme is 32,712,037, which represented approximately 7.46% of the issued shares of the Company as at the date of this annual report.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the 2012 Share Option Scheme, in any 12-month period 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 2012 Share Option Scheme and any other share option schemes of our Company (including options exercised, canceled 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 HK$5,000,000, 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.

(e) Time of exercise of options

An option may be exercised by the grantee in accordance with the terms of the 2012 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.

The 2012 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.

(f) Payment on acceptance of option

An offer for the grant of options must be accepted within seven days after the date of offer and 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.

(g) The subscription price per Share

The subscription price of a share in respect of any particular option granted under the 2012 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.

(h) Termination of the 2012 Share Option Scheme

The Company terminated the 2012 Share Option Scheme on 28 May 2021. Upon termination of the 2012 Share Option Scheme, no further share options may be granted thereunder. In respect of all share options which remained exercisable on such date, the provisions of the 2012 Share Option Scheme remained in full force and effect.

No share options were available for grant under the 2012 Share Option Scheme mandate both at the beginning and the end of the Year.

REPORT OF THE DIRECTORS

During the year ended 31 December 2022, 4,776,075 share options were lapsed under the 2012 Share Option Scheme, hence 32,712,037 share options remained outstanding. The summary below sets out the details of options granted as at 31 December 2022 pursuant to the 2012 Share Option Scheme:

	Name or category of grantees	Date of grant of share options	Exercise Price HK$	Validity Period	Number of share options: Balance as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Balance as at 31 December 2022	Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
(i)	**Executive Directors**											
	Mr. Ko Chun Shun, Johnson	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	1,000,000	–	–	–	–	1,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Lo Ken Bon	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Madden Hugh Douglas	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Chapman David James	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Tiu Ka Chun, Gary	15 January 2020	7.45	22 August 2018 – 21 August 2023 *(Note 1)*	200,000	–	–	–	–	200,000	7.45	–
		27 January 2021	14.39	27 January 2021 – 22 August 2026 *(Note 5)*	600,000	–	–	–	–	600,000	13.80	–
(ii)	**Independent Non-Executive Directors**											
	Mr. Chau Shing Yim, David	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	180,000	–	–	–	–	180,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
	Mr. Chia Kee Loong, Lawrence	12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	200,000	–	–	–	–	200,000	7.99	–
	Mr. Tai Benedict	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	150,000	–	–	–	–	150,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
	Directors in aggregate				21,730,000	–	–	–	–	21,730,000		
(iii)	**Associates of Directors**											
	Ms. Lau Ka Wing, Claudia *(Note 6)*	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	488,111	–	–	–	–	488,111	8.75	–
		27 January 2021	14.39	27 January 2021–22 August 2026 *(Note 5)*	80,000	–	–	–	–	80,000	13.80	–
	Ms. Ko Wing Yan, Samantha *(Note 7)*	12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
	Associates of Directors in aggregate				868,111	–	–	–	–	868,111		

					Number of share options							
	Name or category of grantees	Date of grant of share options	Exercise Price HK$	Validity Period	Balance as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Balance as at 31 December 2022	Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
(iv)	**Other employees**	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,996,891	–	–	(394,576)	–	2,602,315	8.75	–
		18 January 2019	7.53	18 January 2019–21 August 2023 *(Note 1)*	714,332	–	–	(40,332)	–	674,000	7.50	–
		15 January 2020	7.45	15 January 2020–21 August 2023 *(Note 1)*	100,000	–	–	–	–	100,000	7.45	–
		12 June 2020	7.99	12 June 2020–22 August 2026 *(Note 3)*	6,416,667	–	–	(3,076,167)	–	3,340,500	7.99	–
		13 August 2020	10.99	13 August 2020–22 August 2025 *(Note 4)*	1,551,000	–	–	–	–	1,551,000	10.56	–
		27 January 2021	14.39	27 January 2021–22 August 2026 *(Note 5)*	2,575,000	–	–	(1,265,000)	–	1,310,000	13.80	–
	Other employees in aggregate				14,353,890	–	–	(4,776,075)	–	9,577,815		
(v)	**Other consultants**	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	131,111	–	–	–	–	131,111	8 .75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7 .99	–
		27 January 2021	14.39	27 January 2021 – 22 August 2026 *(Note 5)*	105,000	–	–	–	–	105,000	13.80	–
	Others consultants in aggregate				536,111	–	–	–	–	536,111		
	Total				**37,488,112**	**–**	**–**	**(4,776,075)**	**–**	**32,712,037**		

Notes:

1. The exercise period is (i) two-thirds of the options granted are exercisable from 22 August 2020 to 21 August 2023, and (ii) one-third of the options granted are exercisable from 22 August 2021 to 21 August 2023.

2. The exercise period is one-third of the options granted are exercisable from each of 22 August 2021,22 August 2022 and 22 August 2023 to 22 August 2025.

3. The exercise period for 6,800,000 options is 19.61% of the options are exercisable from 22 August 2021 to 23 August 2025, 19.61% of the options are exercisable from 22 August 2022 to 23 August 2025, 50.49% of the options are exercisable from 22 August 2023 to 23 August 2025 and 10.29% of the options are exercisable from 22 August 2025 to 23 August 2026. While the exercise period for 200,000 options is (i) two-thirds of the options are exercisable from 22 August 2021 to 22 August 2025, and (ii) one-third of the options granted are exercisable from 22 August 2022 to 22 August 2025.

4. The exercise period is one-fifth of the options granted are exercisable from each of 22 August 2020, 22 August 2021, 22 August 2022, 22 August 2023 and 22 August 2024 to 22 August 2025.

5. The exercise period is one-fourth of the options granted are exercisable from each of 22 August 2021, 22 August 2022, 22 August 2023 and 22 August 2024 to 22 August 2026.

6. 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.

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

8. The vesting period of the share option is from the date of grant until the commencement of the exercise period.

9. All the above grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.

2021 Share Option Scheme

On 28 May 2021, the Company adopted the 2021 Share Option Scheme and the major terms of the 2021 Share Option Scheme were summarised as follows:

(a) Purpose of the 2021 Share Option Scheme

The purpose of the 2021 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers of the Group and to promote the success of the business of the Group.

(b) Participants of the 2021 Share Option Scheme

Pursuant to the 2021 Share Option Scheme, The Board is authorised, at its absolute discretion and subject to the terms of the 2021 Share Option Scheme, to grant options to subscribe the shares to, inter alia, any employee (full-time or part-time), Director, consultant or adviser of any member of the Group, or any substantial shareholder of any member of the Group.

(c) Total number of shares available for issue under the 2021 Share Option Scheme

The total number of shares available for issue under the 2021 Share Option Scheme is 35,855,065, which represented approximately 8.18% of the issued shares of the Company as at the date of this annual report.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the 2021 Share Option Scheme, in any 12-month period 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 2021 Share Option Scheme and any other share option schemes of our Company (including options exercised, canceled 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 HK$5,000,000, 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.

(e) Time of exercise of options

An option may be exercised by the grantee in accordance with the terms of the 2021 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.

The 2021 Share Option Scheme does not specify a minimum period but the Board may in its absolute discretion set a minimum period (i.e. 12-month) for which an option must be held and performance targets must be achieved before an option can be exercised.

(f) Payment on acceptance of option

An offer for the grant of options must be accepted within fourteen days after the date of offer and a nominal consideration of HK$1.00 was payable by the grantee upon acceptance of an option. Options are lapsed in one month if the employee leaves the Group.

(g) The subscription price per share

The subscription price of a share in respect of any particular option granted under the 2021 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 five 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.

(h) Duration of the 2021 Share Option Scheme

The 2021 Share Option Scheme will remain in force for a period of ten years commencing from the date on which the 2021 Share Option Scheme becomes unconditional (i.e. 28 May 2021) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

The number of share options available for grant under the 2021 Share Option Scheme mandate as at 31 December 2022 was 19,425,065 (1 January 2022: 37,155,065).

During the year ended 31 December 2022, the Company granted 17,730,000 share options under the 2021 Share Option Scheme and 2,800,000 share options were lapsed, while no share options were exercised or canceled during the year, hence 16,430,000 share options remained outstanding. The summary below sets out the details of options granted as at 31 December 2022 pursuant to the 2021 Share Option Scheme:

	Name or category of grantees	Date of grant of share options	Exercise Price HK$	Validity Period	Number of Share Options						Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
					Balance as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2022		
(i)	**Executive Directors**											
	Mr. Ko Chun Shun, Johnson	22 July 2022	10	22 July 2022–22 August 2028 *(Note 2)*	–	500,000	–	–	–	500,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 3)*	–	500,000	–	–	–	500,000	3.72	–
	Mr. Lo Ken Bon	22 July 2022	10	22 July 2022–22 August 2028 *(Note 2)*	–	500,000	–	–	–	500,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 3)*	–	500,000	–	–	–	500,000	3.72	–
	Mr. Madden Hugh Douglas	22 July 2022	10	22 July 2022–22 August 2028 *(Note 2)*	–	500,000	–	–	–	500,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 3)*	–	500,000	–	–	–	500,000	3.72	–
	Mr. Chapman David James	22 July 2022	10	22 July 2022–22 August 2028 *(Note 2)*	–	500,000	–	–	–	500,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 3)*	–	500,000	–	–	–	500,000	3.72	–
	Mr. Tiu Ka Chun, Gary	22 July 2022	10	22 July 2022–22 August 2028 *(Note 4)*	–	250,000	–	–	–	250,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 5)*	–	250,000	–	–	–	250,000	3.72	–
(ii)	**Independent Non-Executive Directors**											
	Mr. Chau Shing Yim, David	22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	300,000	–	–	–	300,000	3.72	–
	Mr. Chia Kee Loong, Lawrence	22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	300,000	–	–	–	300,000	3.72	–
	Mr. Tai Benedict	22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	300,000	–	–	–	300,000	3.72	–
	Directors in aggregate				–	5,400,000	–	–	–	5,400,000		
(iii)	**Associates of Directors**											
	Ms. Lau Ka Wing, Claudia *(Note 8)*	22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	80,000	–	–	–	80,000	3.72	–
	Associate of Directors in aggregate				–	80,000	–	–	–	80,000		
(iv)	**Other employees**	8 October 2021	12.7	8 October 2021–22 August 2027 *(Note 1)*	1,500,000	–	–	(1,200,000)	–	300,000	12.70	–
		22 July 2022	10	22 July 2022–22 August 2028 *(Note 2)*	–	2,175,000	–	(500,000)	–	1,675,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 3)*	–	2,175,000	–	(500,000)	–	1,675,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2028 *(Note 4)*	–	1,125,000	–	–	–	1,125,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2029 *(Note 5)*	–	1,125,000	–	–	–	1,125,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	4,400,000	–	(600,000)	–	3,800,000	3.72	–
	Other employees in aggregate				1,500,000	11,000,000	–	(2,800,000)	–	9,700,000		
(v)	**Consultants**											
	Cannavale Rebane, Guilherme *(Note 8)*	22 July 2022	10	22 July 2022–22 August 2028 *(Note 4)*	–	125,000	–	–	–	125,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2028 *(Note 5)*	–	125,000	–	–	–	125,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	200,000	–	–	–	200,000	3.72	–
	Randle, Jonathan James *(Note 9)*	22 July 2022	10	22 July 2022–22 August 2028 *(Note 4)*	–	125,000	–	–	–	125,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2028 *(Note 5)*	–	125,000	–	–	–	125,000	3.72	–
		22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	200,000	–	–	–	200,000	3.72	–
	Consultants in aggregate				–	900,000	–	–	–	900,000		

	Name or category of grantees	Date of grant of share options	Exercise Price HK$	Validity Period	Number of Share Options: Balance as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2022	Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
(vi)	**Other consultants** *(Note 11)*	22 July 2022	10	22 July 2022–22 August 2027 *(Note 6)*	–	350,000	–	–	–	350,000	3.72	–
	Other consultants in aggregate				–	350,000	–	–	–	350,000		
	Total				**1,500,000**	**17,730,000**	**–**	**(2,800,000)**	**–**	**16,430,000**		

Notes:

1. The exercise period is one-fourth of the options granted are exercisable from each of 22 August 2022, 22 August 2023, 22 August 2024 and 22 August 2025 to 22 August 2027.

2. One fourth of the options granted are exercisable from each of 22 August 2023, 22 August 2024, 22 August 2025 and 22 August 2026 to 22 August 2028 subject to conditions relating to the Group's target revenue/market price and the trading volume of shares in FY2022. Notwithstanding the above vesting conditions, the vesting of 50% of the total options will be accelerated subject to performance targets relating to certain strategic investment project in 2022, in which the options are exercisable from each of 22 August 2023, 22 August 2024, 22 August 2025 and 22 August 2026 to 22 August 2028. The options have subsequently lapsed in March 2023.

3. One fourth of the options granted are exercisable from each of 22 August 2024, 22 August 2025, 22 August 2026 and 22 August 2027 to 22 August 2029 subject to conditions relating to the Group's target revenue/market price and the trading volume of shares in FY2023. Notwithstanding the above vesting conditions, the vesting of 50% of the total options will be accelerated subject to performance targets relating to certain strategic investment project in 2022, in which the options are exercisable from each of 22 August 2023, 22 August 2024, 22 August 2025 and 22 August 2026 to 22 August 2028.

4. One fourth of the options granted are exercisable from each of 22 August 2023, 22 August 2024, 22 August 2025 and 22 August 2026 to 22 August 2028 subject to conditions relating to the Group's target revenue/market price and the trading volume of shares in FY2022. The options have subsequently lapsed in March 2023.

5. One fourth of the options granted are exercisable from each of 22 August 2024, 22 August 2025, 22 August 2026 and 22 August 2027 to 22 August 2029 subject to conditions relating to the Group's target revenue/market price and the trading volume of shares in FY2023.

6. Among the share options granted, one-fourth of the options granted are exercisable from each of 22 August 2022, 22 August 2023, 22 August 2024 and 22 August 2025 to 22 August 2027.

7. The vesting period of the share option is from the date of grant until the commencement of the exercise period.

8. 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.

9. Cannavale Rebane, Guilherme ("Guilherme") has been assisting the Group in developing customer acquisition and retention strategy and building strong network with financial institutions for business development. The Company believes that he will use his valuable experiences and specialised skillsets for the long-term business development of the Group's digital asset business segment, and that the grant of the Awarded Shares to him will (i) motivate his expected future contribution to the success and development of the Group; (ii) optimize his performance efficiency for the benefit of the Group; and (iii) give incentives thereto to retain him for continual operation and development of the Group.

10. Randle Jonathan, James ("Jonathan") has been providing strategic planning advice to build the digital asset platform and operational support applications using robust architectural practices and leading-edge software solutions. The Company believes that he will use his valuable experiences and specialised skillsets for the long-term business development of the Group's digital asset business segment, and that the grant of the Awarded Shares to him will (i) motivate his expected future contribution to the success and development of the Group; (ii) optimize his performance efficiency for the benefit of the Group; and (iii) give incentives thereto to retain him for continual operation and development of the Group.

11. During the Year, 350,000 share options were granted to 2 consultants, the details of which are as follows:

Name of consultant	Total options granted
Fowler, Robert Paul ("Robert")	100,000
Hiriart, Mark Francis Richard ("Mark")	250,000

Robert has been assisting to create and implement digital solutions and design, test, maintain and improve software for the Group's digital asset business.

Mark has been assisting the Group in developing customer acquisition and retention strategy and building strong network with industry associations for business development.

The Company believes that they will use their valuable experiences and specialised skillsets for the long-term business development of the Group's digital asset business segment, and that the grant of the Awarded Shares to them will (i) motivate their expected future contribution to the success and development of the Group; (ii) optimize their performance efficiency for the benefit of the Group; and (iii) give incentives thereto to retain them for continual operation and development of the Group.

The Company has used Black-Scholes model for assessing the fair value of the share options granted for both 2012 Share Option Scheme and 2021 Share Option Scheme. 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.

The risk free rates have made reference to the yield of Hong Kong Exchange Fund Notes as at the valuation dates. Expected volatility was determined by calculating the historical volatility of the share price of the Company with the period not less than 2 years. There is no expected dividend yield for all share options granted. All the options forfeited before expiry of the options will be treated as lapsed options under both 2012 Share Option Scheme and 2021 Share Option Scheme.

Please refer to Note 41 to the consolidated financial statements for the value of the options granted and the assumptions adopted in the calculation of the fair value at the grant date.

Details of the movements in the share options of the Company during the Period are set out in Note 41 to the consolidated financial statements.

SHARE AWARD SCHEME OF THE COMPANY

The Company adopted the 2018 Share Award Plan (the "Plan") on 21 August 2018. The Company shall comply with the relevant Listing Rules when granting the Awarded Shares. Under the transitional arrangements before the Share Award Scheme are amended to comply with the new Chapter 17 of the Listing Rules that became effective on 1 January 2023, if awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules. The principal terms of the Plan were summarised as follows:

(a) Purpose

The purpose of the Plan is to recognise and reward the contribution of 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.

(b) Eligible Participants

The eligible participants under the Plan shall include (a) any employee; (b) any Director or officer of any member of the Group; or (c) any consultant or advisor of any member of the Group, who the Board considers, at its sole discretion, to have contributed or will contribute to the Group.

(c) Total number of shares available for issue

The total number of shares available for issue under the Plan is 27,435,452, which represented approximately 6.26% of the issued shares of the Company as at the date of this annual report.

(d) The maximum entitlement of each participant under the Plan

The aggregate of the maximum number of Awarded Shares underlying all Awards (whether the Awards are vested or not) in any 12-month period awarded to a Selected Participant shall not exceed one per cent of the total number of shares from time to time.

The Plan shall be subject to the administration of the Board (or a committee from time to time authorised by the Board to manage the plan) and the Trustee in accordance with the rules of the plan and the Trust Deed.

The Board may, from time to time, at its sole discretion determine the number of Awarded Shares to be awarded to the selected participants. Any grant of the Awarded Shares to the connected persons (as defined in the Listing Rules) of the Company must be approved by a majority of the independent non-executive Directors (other than the independent non-executive Director who is the selected participants) and shall be subject to compliance with the applicable Listing Rules. No award may be made and no instruction may be given by the Board to the Trustee to subscribe unissued shares or acquire issued shares during the period preceding the publication of financial results in which the Directors are prohibited from dealing in Shares as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results.

(e) Vesting period

The Plan does not specify a minimum period but the Board may in its absolute discretion set a minimum period before the Awarded Shares are vested.

(f) Duration

The Plan shall terminate on the earlier of the tenth anniversary date of the adoption date, and such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant hereunder.

(g) Trustee

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 Plan. The Trustee will hold the shares ("Awarded Shares") on trust for the selected participants ("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.

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.

(h) Plan Limit

The total number of Awarded Shares which may be granted under the Plan (the "Plan Limit") will be refreshed automatically on each anniversary date of the amendment of the Plan, i.e. 29 October. The total number of Awarded Shares which may be granted under the Plan Limit as refreshed shall not exceed 5% of the total number of shares in issue as at that date. The Plan Limit was refreshed on 29 October 2022. The maximum number of shares which can be granted shall be 21,922,659 shares, representing 5% of the shares in issue.

(i) Vesting & Lapse

Subject to the terms of the Plan and the fulfilment of all vesting conditions determined by the Board, the Trustee shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares and all the other distributions attributable to such Award to which such Selected Participant.

In the event that prior to the vesting date the Selected Participant who is an eligible employee ceases to be an employee, the award shall automatically lapse be cancelled forthwith and all the Awarded Shares and other distributions attributable thereto shall not vest on the relevant vesting date but shall become returned shares for the purposes of the plan.

In the event of a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the shareholders, and such offer becomes or is declared unconditional prior to the vesting of the Awarded Shares in the relevant Selected Participants, all unvested Awarded Shares shall immediately become vested on the date on which such offer becomes or is declared unconditional, and the Trustee shall as soon as practicable after its receipt of the Board's notice thereof, effect the transfer of the Awarded Shares and other distributions to the relevant Selected Participants.

The total number of Awarded Shares available for granted under the Plan as at 31 December 2022 was 21,922,659 (1 January 2022: 21,122,974).

The total number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the year dividend by the weighted average number of shares in issue for the year was 4.88%.

During the year ended 31 December 2022, the Company granted 3,679,430 new shares under its Plan, in which 349,430 Awarded Shares were granted on 4 April 2022 and 3,330,000 were granted on 22 July 2022 (FY2021: 2,720,860).

The Group recognised an expense of approximately HK$13,863,000 (31 December 2021: HK$39,219,000) for the year ended 31 December 2022 in relation to share award granted by the Company.

			Number of Awarded Shares								
Name or category of participants	Date of grant of Awarded Shares	Vesting Period	Unvested as at 1 January 2022	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested as at 31 December 2022	Closing price of Awarded Shares immediately before the date of grant HK$	Weighted average closing price of shares immediately before the date of which the awards were vested HK$	Fair Value of Awarded Shares immediately at the date of grant during the year (Note 14) HK$
		(Note 1)									
(i) Other employees	20 February 2020	*(Note 2)*	33,333	–	–	–	(33,333)	–	7.40	–	–
	6 April 2020	*(Note 2)*	10,000	–	(10,000)	–	–	–	6.19	3.54	–
	13 August 2020	*(Note 2)*	1,293,375	–	(431,125)	–	–	862,250	10.82	3.54	–
	9 September 2020	*(Note 3)*	3,500	–	–	–	(3,500)	–	11.02	–	–
	1 December 2020	*(Note 3)*	33,245	–	(22,163)	–	–	11,082	14.60	3.54	–
	27 January 2021	*(Note 4)*	1,204,250	–	(363,500)	–	(458,750)	382,000	13.90	5.60	–
	7 April 2021	*(Note 3)*	15,000	–	(10,000)	–	–	5,000	15.50	3.54	–
	29 June 2021	*(Note 3)*	125,000	–	(25,427)	–	(92,675)	6,898	18.02	3.54	–
	7 July 2021	*(Note 3)*	30,000	–	(20,000)	–	–	10,000	18.68	3.54	–
	7 October 2021	*(Note 5)*	180,000	–	(66,500)	–	(83,500)	30,000	12.00	3.54	–
	8 October 2021	*(Note 6)*	560,000	–	(65,060)	–	(279,032)	215,908	12.90	3.54	–
	7 January 2022	*(Note 7)*	–	80,000	(18,500)	–	–	61,500	8.43	3.54	8.47
	4 April 2022	*(Note 8)*	–	328,001	–	–	(6,417)	321,584	7.10	–	7.14
	7 April 2022	*(Note 9)*	–	140,000	(26,096)	–	(60,236)	53,668	6.85	3.54	6.86
	22 July 2022	*(Note 10)*	–	2,925,000	(700,000)	–	(541,250)	1,683,750	3.72	3.54	3.67
Other employees in aggregate			3,487,703	3,473,001	(1,758,371)	–	(1,558,693)	3,643,640			
(ii) Other consultants	4 April 2022	*(Note 8)*	–	21,429	–	–	–	21,429	7.10	–	7.14
	22 July 2022	*(Note 10)*	–	405,000	(101,250)	–	–	303,750	3.72	3.54	3.67
Other consultants in aggregate			–	426,429	(101,250)	–	–	325,179			
Total			**3,487,703**	**3,899,430**	**(1,859,621)**	**–**	**(1,558,693)**	**3,968,819**			

Notes:

1. The grant price is nil for all Awarded Shares.

2. Two-thirds of the Awarded Shares are vested on 4 September 2021 and one-third of the Awarded Shares are vested on 4 September 2022.

3. Two-thirds of the Awarded Shares are vested on 4 September 2022 and one-third of the Awarded Shares will be vested on 4 September 2023.

4. Among 2,237,000 Awarded Shares granted, in respect of 1,611,000 Awarded Shares, One-fourth of the Awarded Shares are vested on each of 4 September 2021, 4 September 2022, 4 September 2023 and 4 September 2024; In respect of 549,860 Awarded Shares, two-thirds of the Awarded Shares are vested on 7 April 2021 and one-third of the Awarded Shares are vested on 7 January 2022; In respect of 70,000 Awarded Shares, two-thirds of the Awarded Shares are vested on 4 September 2022 and one-third of the Awarded Shares will be vested on 4 September 2023 and the remaining 6,140 Awarded Shares are vested on 7 April 2021.

5. Among the 180,000 Awarded Shares granted, 123,500 Awarded Shares are vested on 4 September 2022 and 56,500 Award Shares will be vested on 4 September 2023.

6. In respect of 180,000 Awarded Shares, two-thirds of the Awarded Shares will be vested on 4 September 2023 and one-third of the Awarded Shares will be vested on 4 September 2024; and in respect of 380,000 Awarded Shares, one-fourth of the Awarded Shares are vested on each of 4 September 2022, 4 September 2023, 4 September 2024 and 4 September 2025.

7. Among the 80,000 Awarded Shares granted, 18,500 Awarded Shares are vested on 4 September 2022, 20,500 Awarded Shares will be vested on each of 4 September 2023, 4 September 2024 and 4 September 2025.

8. All the 349,430 Awarded Shares will be vested on 13 January 2023.

9. Among the 140,000 Awarded Shares granted, 28,500 Awarded Shares are vested on 4 September 2022, 40,000 Awarded Shares will be vested on 4 September 2023, 37,500 Awarded Shares will be vested on 4 September 2024 and 34,000 Awarded Shares will be vested on 4 September 2025.

10. The 3,330,000 Awarded Shares granted are vested in four equal tranches on each of 4 September 2022, 4 September 2023, 4 September 2024 and 4 September 2025.

11. Please refer to Note 2.22 for the accounting policy adopted for Awarded Shares.

12. During the Year, 426,429 Awarded Shares were granted to 5 consultants, the details of which are as follows:

Name of consultant	Date of grant	Awarded Share granted
Jonathan	4 April 2022	21,429
Jonathan	22 July 2022	100,000
Guilherme	22 July 2022	75,000
Robert	22 July 2022	75,000
Mark	22 July 2022	75,000
Wang, William Wei Hsun (“William”)	22 July 2022	80,000

Jonathan has been providing strategic planning advice to build the digital asset platform and operational support applications using robust architectural practices and leading-edge software solutions.

Guilherme has been assisting the Group in developing customer acquisition and retention strategy and building strong network with financial institutions for business development.

Robert has been assisting to create and implement digital solutions and design, test, maintain and improve software for the Group’s digital asset business.

Mark has been assisting the Group in developing customer acquisition and retention strategy and building strong network with industry associations for business development.

William has been assisting in refining and executing investor relations strategy and framework for the Group.

The Company believes that they will use their valuable experiences and specialised skillsets for the long-term business development of the Group’s digital asset business segment, and that the grant of the Share Options and the Awarded Shares to them will (i) motivate their expected future contribution to the success and development of the Group; (ii) optimize their performance efficiency for the benefit of the Group; and (iii) give incentives thereto to retain them for continual operation and development of the Group.

13. All the grants made during the year ended 31 December 2022 were made without any performance targets.

14. The fair value of the share awards calculated based on the market price of the group’s share at the respective grant date.

15. The weighted average closing price of the shares immediately before the dates on which the awards were vested in 2022 was HK$3.97 per share.

16. The above grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.

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 2022, 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				
Name of Director	Personal Interest	Family Interest	Corporate Interests	Total	Personal Interests	Family Interests	Total	Grand Total	% of the issued share capital of the Company
Mr. Ko Chun Shun, Johnson	–	–	187,536,194 *(Note (i))*	187,536,194	5,200,000 *(Note (iii))*	–	5,200,000	192,736,194	43.96%
Mr. Lo Ken Bon	–	623,000 *(Note (ii))*	–	623,000	6,200,000 *(Note (iii))*	648,111 *(Note (iv))*	6,848,111	7,471,111	1.70%
Mr. Madden Hugh Douglas	–	–	–	–	6,200,000 *(Note (iii))*	–	6,200,000	6,200,000	1.41%
Mr. Chapman David James	260,000	–	–	260,000	6,200,000 *(Note (iii))*	–	6,200,000	6,460,000	1.47%
Mr. Tiu Ka Chun, Gary	250,000	–	–	250,000	1,300,000 *(Note (iii))*	–	1,300,000	1,550,000	0.35%
Mr. Chau Shing Yim, David	20,000	–	–	20,000	780,000 *(Note (iii))*	–	7,480,000	800,000	0.18%
Mr. Chia Kee Loong, Lawrence	300,000	–	–	300,000	500,000 *(Note (iii))*	–	5,200,000	800,000	0.18%
Mr. Tai Benedict	50,000	–	–	50,000	750,000 *(Note (iii))*	–	7,450,000	800,000	0.18%

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 2022, 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 41 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 2022, 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:

Name of shareholders	Capacity/Nature of Interest	Number of shares interested *(Note i)*	% of the issued share capital of the Company
East Harvest Global Limited	Beneficial Owner	187,536,194 (L)	42.77%
Wise Aloe Limited	Interest of controlled corporation *(Note ii)*	187,536,194 (L)	42.77%
Bell Haven Limited	Interest of controlled corporation *(Note iii)*	187,536,194 (L)	42.77%
Colour Day Limited	Interest of controlled corporation *(Note iv)*	187,536,194 (L)	42.77%
Mr. Ko Chun Shun, Johnson	Beneficial Owner *(Note v)* & Interest of controlled corporation *(Note vi)*	192,736,194 (L)	43.96%
FIL Limited	Interest of controlled corporation	44,251,892 (L)	10.09%
Pandanus Partner L.P.	Interest of controlled corporation *(Note vii)*	44,251,892 (L)	10.09%
Pandanus Associates Inc.	Interest of controlled corporation *(Note viii)*	44,251,892 (L)	10.09%
Citigroup Inc.	Interest of controlled corporation	35,051,702 (L)	7.99%
	Approved Lending Agent *(Note ix)*	572,500 (S)	0.13%
		34,477,235 (LP)	7.86%
GIC Private Limited	Investment Manager	34,903,000 (L)	7.96%
Yuen Hoi Po	Beneficial Owner	24,985,333 (L)	5.70%

Notes:

(i) The letter "L" denotes the person's long position in the Shares, the letter "S" denotes the person's short position in the Shares and the letter "LP" denotes the person's lending pool position in the Shares.

(ii) 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.

(iii) 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.

(iv) 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.

(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) 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.

(vii) Pandanus Partner L.P. is deemed to be interested in the 44,251,892 ordinary shares of the Company in which FIL Limited has an interest under the SFO by virtue of its interests in FIL Limited.

(viii) Pandanus Associates Inc. is deemed to be interested in the 44,251,892 ordinary shares of the Company in which Pandanus Partner L.P. has an interest under the SFO by virtue of its interests in Pandanus Partner L.P.

(ix) Among 35,051,702 long position in the shares, 34,477,235 is in the lending pool while 572,500 are under interest of controlled corporation.

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 46.1% of the Group's total revenue and income. The amount of revenue and income from the Group's largest client represented approximately 19.5% of the Group's total revenue and income.

2. The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 89.7% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 89.7% 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.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the year ended 31 December 2022 are set out in Note 37 to the consolidated financial statements on pages 174 to 176 of this annual report.

Provision of Digital Asset Trading Services

The Group has balances due to the related parties totaling approximately HK$262.2 million (the "Balances") as at 31 December 2022 in respect of the provision of digital asset trading services by the Group.

The Balances represent fiat currencies and digital assets placed by the related parties with the Group as at 31 December 2022.

The provision of digital asset trading services with the related parties during the year ended 31 December 2022 are fully exempt from the connected transaction requirements under Rule 14A.97 and 14A.76 of the Listing Rules.

Interest payable to the Related Parties

The interest expenses incurred and interest payable to the related parties during the year ended 31 December 2022 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 37 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.

Save as disclosed above, at 31 December 2022, 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.

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 2022.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group fully understands that employees, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our suppliers and providing high-quality services to our customers so as to ensure the Group's sustainable development.

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.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period date are disclosed in the section headed "Management Discussion & Analysis" on page 15 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 2022.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers ("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
Lo Ken Bon
Deputy Chairman

Hong Kong, 28 March 2023

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"), which are set out on pages 72 to 190, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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.

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

- Fair value measurement of financial assets at fair value through profit or loss

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(a), 7, 20 and 30 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;

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 mainly 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. • Obtained and reviewed the service organizations' auditor reports to understand and evaluate their scope of work and findings with respect to the internal controls on access management, computer operations and change management for the infrastructures hosting certain key in-scope systems and systems hosted on cloud. • 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 and White label customers to confirm transactions for the year and account balances at the year end;

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. The Group's digital assets portfolio mainly comprises cryptocurrencies and stablecoins. According to the business model of the Group's activities and the characteristics of each of the relevant digital assets, the Group's digital assets are accounted for either as inventories measured at fair value less costs to sell or financial instruments measured at fair value on the consolidated statement of financial position. There are also digital assets held by the Group solely for the benefits and on behalf of its clients in segregated wallets where such holding is not recognised by the Group as its own assets. 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 2022, the Group recognised income from trading of digital assets (net of fair value loss on digital assets) of HK$20,894,000 and income from licensing of trading platform and technology solutions of HK$30,070,000 respectively. The digital assets balance recognised by the Group under its current assets amounted to HK$1,061,343,000 as at the year end date. 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.	— 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; — 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 balances, 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.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Fair value measurement of financial assets at fair value through profit or loss

Refer to Notes 3.5(a)(ii), 4(e) and 26 to the consolidated financial statements.

As at 31 December 2022, the Group held interests in unlisted preference shares of HK$50,400,000, which has been classified as financial assets at fair value through profit or loss. During the year, the Group recognised net fair value gain amounted to HK$25,522,000 in the consolidated statement of profit or loss.

These unlisted financial instruments do not have a quoted price in an active market and are measured at fair value using inputs that are based on unobservable market data. Management, with the assistance of an external valuer, determined the fair value based on the investees' estimated equity value and/or recent equity transactions which involved key assumptions such as risk-free rate, expected volatility and relevant market information of comparable companies.

We focused on this area because the fair value measurement of these financial instruments, whose magnitude is material to the consolidated financial statements, require significant judgement in determining the appropriate valuation methodology as well as the selection of assumptions appropriate to the circumstances.

Our procedures in relation to management's valuation of these financial instruments included:

- understood and evaluated the management's controls and processes of performing valuation of the financial instruments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- assessed the competency, capability and objectivity of the external valuer by considering their professional qualification, experience and relationship with the Group;
- involved our internal valuation expert to critically assess the reasonableness of the valuation methodology adopted by management by referencing to market practices, and also their selection of parameters and data as key assumptions, e.g. risk-free rate, expected volatility and relevant market information including recent transactions and market data of comparable companies in determining the valuation;
- challenged the integrity of the data inputs based on our independent market research and also checked the mathematical accuracy of the underlying calculations; and
- evaluated management's sensitivity analysis on the key assumptions to the potential change on fair value and considered the appropriateness of the relevant disclosures.

Based on the results of the procedures performed, we found management's judgement and assumptions applied in respect of the fair value measurement of the investments were supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the BC Technology Group Limited Annual Report 2022 (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Corporate Information, Management Discussion and Analysis, Biographical Details of Directors and Senior Management, Corporate Governance Report and Report of the Directors prior to the date of this auditor's report. The remaining other information, including Environmental, Social and Governance Report, Chief Executive Officer's Statement, Five Year Financial Summary and the other sections (if any) to be included in the annual report, is 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 remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to 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.

INDEPENDENT AUDITOR'S REPORT

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 judgment 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.

- 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.

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

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, 28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Continuing operations			
Income from principal activities:			
— Income from digital assets and blockchain platform business	7	**71,480**	277,675
— Rental income from business park area management services		**44,365**	46,663
		115,845	324,338
Cost of revenue	10	**(23,310)**	(24,567)
Other income	8	**2,753**	703
Other gains/(losses), net	8	**30,824**	(5,588)
Selling expenses	10	**(55,813)**	(88,180)
Administrative and other operating expenses	10	**(573,983)**	(530,387)
Provision for impairment losses on financial assets and contract assets, net	10	**(3,747)**	(2,176)
Operating loss		**(507,431)**	(325,857)
Finance income	9	**1,854**	6,568
Finance costs	9	**(22,385)**	(34,409)
Finance costs, net	9	**(20,531)**	(27,841)
Share of net post-tax loss of an associate accounted for using the equity method	25	**(20,890)**	(5,434)
Loss before income tax		**(548,852)**	(359,132)
Income tax expense	13	**(1,257)**	(1,455)
Loss from continuing operations		**(550,109)**	(360,587)
Discontinued operations			
Profit/(loss) from discontinued operations	14	**141**	(8,656)
Loss for the year		**(549,968)**	(369,243)
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Currency translation differences on translation of operations with a functional currency different from the Company's presentation currency		**(8,132)**	10,387
Other comprehensive (loss)/income for the year		**(8,132)**	10,387
Total comprehensive loss for the year		**(558,100)**	(358,856)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(541,179)**	(367,019)
— Profit/(loss) from discontinued operations	*14*	**141**	(8,656)
		(541,038)	(375,675)
Non-controlling interests			
– (Loss)/profit from continuing operations		**(8,930)**	6,432
		(549,968)	(369,243)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (HK$ per share)	*16*	**(1.28)**	(0.93)
Diluted (HK$ per share)	*16*	**(1.28)**	(0.93)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (HK$ per share)	*16*	**(1.28)**	(0.95)
Diluted (HK$ per share)	*16*	**(1.28)**	(0.95)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(548,777)**	(356,826)
— Profit/(loss) from discontinued operations		**107**	(8,688)
		(548,670)	(365,514)
Non-controlling interests			
– (Loss)/profit from continuing operations		**(9,430)**	6,658
		(558,100)	(358,856)

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 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**92,266**	154,574
Intangible assets	*18*	**72,794**	90,021
Prepayments, deposits and other receivables	*22*	**17,879**	19,577
Investment accounted for using equity method	*25*	**22,550**	19,017
Financial assets at fair value through profit or loss	*26*	**50,400**	25,013
Deferred income tax assets	*32*	**7,409**	5,402
Total non-current assets		**263,298**	313,604
Current assets			
Digital assets	*20*	**1,061,343**	3,519,909
Contract assets	*33*	**16,960**	13,168
Trade receivables	*21*	**21,938**	121,755
Prepayments, deposits and other receivables	*22*	**52,794**	73,244
Cash held on behalf of licensed entity customers	*24*	**88,809**	282,560
Cash and cash equivalents	*23*	**1,009,157**	954,519
Total current assets		**2,251,001**	4,965,155
Total assets		**2,514,299**	5,278,759
LIABILITIES			
Non-current liabilities			
Deposits received and other payables	*28(a)*	**16,901**	17,258
Lease liabilities	*29*	**64,481**	112,587
Deferred income tax liabilities	*32*	**6,169**	7,858
Total non-current liabilities		**87,551**	137,703

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*27*	**22,564**	49,809
Contract liabilities	*33*	**28,621**	20,185
Accruals and other payables	*28(a)*	**60,904**	116,809
Collateral payables	*28(b)*	**–**	77,727
Liabilities due to customers	*30*	**1,574,062**	3,516,123
Lease liabilities	*29*	**42,373**	43,493
Borrowings	*31*	**32,895**	119,100
Current income tax liabilities		**6,030**	6,667
Total current liabilities		**1,767,449**	3,949,913
Total liabilities		**1,855,000**	4,087,616
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*34*	**4,385**	4,233
Other reserves	*35*	**2,388,866**	2,371,575
Accumulated losses		**(1,721,148)**	(1,181,291)
		672,103	1,194,517
Non-controlling interests	*19*	**(12,804)**	(3,374)
Total equity		**659,299**	1,191,143

The consolidated financial statements on pages 72 to 190 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf.

Chapman David James
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 2022

		Attributable to the owners of the Company					
	Notes	Share capital HK$'000	Other reserves HK$'000 (Note 35)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000 (Note 19)	Total equity HK$'000
At 1 January 2021		3,366	971,759	(806,066)	169,059	(8,672)	160,387
Loss for the year		–	–	(375,675)	(375,675)	6,432	(369,243)
Other comprehensive income:							
Currency translation differences		–	10,161	–	10,161	226	10,387
Total comprehensive income/(loss)		–	10,161	(375,675)	(365,514)	6,658	(358,856)
Issuance of new shares	*34*	797	1,191,932	–	1,192,729	–	1,192,729
Exercise of share options	*34*	70	58,335	–	58,405	–	58,405
Equity-settled share-based payments under share option scheme	*41*	–	50,793	–	50,793	–	50,793
Equity-settled share-based payments under share award scheme	*40*	–	39,219	–	39,219	–	39,219
Equity-settled share-based payments for a warrant	*10(a)*	–	49,826	–	49,826	–	49,826
Dividend paid to a non-controlling interest	*19*	–	–	–	–	(1,360)	(1,360)
Transfer of statutory reserve upon deregistration of a subsidiary		–	(450)	450	–	–	–
At 31 December 2021		4,233	2,371,575	(1,181,291)	1,194,517	(3,374)	1,191,143

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Attributable to the owners of the Company				Non-controlling interests HK$'000 (Note 19)	Total equity HK$'000
		Share capital HK$'000	Other reserves HK$'000 (Note 35)	Accumulated losses HK$'000	Sub-total HK$'000		
At 1 January 2022		4,233	2,371,575	(1,181,291)	1,194,517	(3,374)	1,191,143
Loss for the year		–	–	(541,038)	(541,038)	(8,930)	(549,968)
Other comprehensive loss:							
Currency translation differences		–	(7,632)	–	(7,632)	(500)	(8,132)
Total comprehensive loss		–	(7,632)	(541,038)	(548,670)	(9,430)	(558,100)
Issuance of new shares	*34*	37	(37)	–	–	–	–
Exercise of warrant shares by a warrant holder	*34*	115	(115)	–	–	–	–
Equity-settled share-based payments under share option scheme	*41*	–	12,393	–	12,393	–	12,393
Equity-settled share-based payments under share award scheme	*40*	–	13,863	–	13,863	–	13,863
Transfer of statutory reserve upon deregistration of a subsidiary		–	(1,181)	1,181	–	–	–
At 31 December 2022		4,385	2,388,866	(1,721,148)	672,103	(12,804)	659,299

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 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*38(a)*	**176,235**	(410,574)
Income tax paid		**(5,165)**	(4,763)
Net cash generated from/(used in) operating activities		**171,070**	(415,337)
Cash flows from investing activities			
Interest received		**1,267**	565
Proceeds from disposal of property, plant and equipment	*38(c)*	**8,996**	474
Disposal of subsidiaries, net of cash disposed		**32**	–
Addition of property, plant and equipment	*17*	**(1,838)**	(12,565)
Addition of intangible assets		**–**	(34,080)
Addition of investment in an associate	*25*	**(13,768)**	(13,609)
Addition of financial assets at fair value through profit or loss	*26*	**–**	(24,895)
Fiat lending to counterparties		**–**	(41,203)
Repayment of fiat lending from counterparties		**20,274**	20,990
Net cash generated from/(used in) investing activities		**14,963**	(104,323)
Cash flows from financing activities			
Interest paid		**(21,110)**	(23,425)
Repayment of borrowings	*38(b)*	**(64,351)**	(132,378)
Principal element of lease liabilities	*38(b)*	**(39,034)**	(37,189)
Proceeds from issuance of new shares		**–**	1,192,729
Proceeds from exercise of share options		**–**	58,405
Dividend paid to a non-controlling interest	*19*	**–**	(1,360)
Net cash (used in)/generated from financing activities		**(124,495)**	1,056,782
Net increase in cash and cash equivalents		**61,538**	537,122
Cash and cash equivalents at the beginning of the year		**954,519**	413,487
Effects of exchange rate changes on cash and cash equivalents		**(6,900)**	3,910
Cash and cash equivalents at the end of the year		**1,009,157**	954,519

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 BC Technology Group Limited (the "Company") is investment holding. During the year, the Company and its subsidiaries (collectively, the "Group") were 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 "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

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 thousands of Hong Kong Dollars (HK$'000), unless otherwise stated. The consolidated financial statements were approved and authorised for issue by the Board of Directors (the "Board") on 28 March 2023.

1.1 Discontinued operations of the traditional advertising segment

On 25 October 2022, the Group announced that the two wholly owned subsidiaries of the Group, Shanghai SumZone Marketing Co, Ltd. (上海三眾營銷策劃有限公司) ("SumZone Marketing") and Shanghai SumZone Advertising Co., Ltd. (上海三眾廣告有限公司) ("SumZone Advertising"), which were engaged in provision of traditional advertising services, public relation services and event marketing services in Mainland China, would cease to operate and would be deregistered subsequently. Prior to the year ended 31 December 2022, the Group ceased the operations of the traditional advertising segment, and the deregistration process of the above subsidiaries were subsequently completed in February 2023. Consequently, the entire traditional advertising business, which was historically presented as a separate segment, is reported in the current period as discontinued operations. Accordingly, certain comparative figures related to the discontinued operations have been restated in the consolidated financial statements.

In accordance with International Financial Reporting Standard ("IFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations", the financial results of the segment of traditional advertising segment for the years ended 31 December 2022 and 2021 were presented as a profit or loss for discontinued operations in the Group's consolidated statement of profit or loss. Certain comparative amounts have been reclassified to conform with current year presentation.

Financial information relating to the discontinued operation is set out in Note 14.

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.

2.1 Basis of preparation

(a) Compliance with 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 (the "Listing Rules").

(b) Historical cost convention

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

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

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

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts — Costs of Fulfilling a Contract
Annual Improvements to IFRSs 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) 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 2022 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	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 IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

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) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost including cash consideration and other non-monetary item measured at the fair value on initial recognition date.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation *(Continued)*

(d) Changes in ownership interests *(Continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(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 gains/(losses), net.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

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	25% per annum or 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.

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 business park area management service.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(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.

(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	3–8 years
Acquired leases with favourable terms	over the lease term

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets *(Continued)*

(c) Measurement *(Continued)*

Debt instruments

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 and fair value through profit or loss categories.

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 gains/(losses), 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.

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in "other gains/(losses), net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains/(losses), net" in the consolidated statement of profit or loss and other comprehensive income as applicable.

(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 receivables arising from trading of digital assets in the Over-the-Counter ("OTC") market and other receivables, general approach is applied. For trade receivables and contract assets other than those mentioned above, the Group applies the simplified approach permitted by IFRS 9 "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 3.3(b), Note 21, Note 22 and Note 33 for further details.

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.

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 assets

(a) Digital assets presented on the consolidated statement of financial position

Digital assets 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.

Digital assets 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Digital assets *(Continued)*

(a) Digital assets presented on the consolidated statement of financial position *(Continued)*

Based on the respective rights and obligations of the Group and its customers under DATA and 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 "digital asset 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 asset and liability due to the customer is derecognised.

Furthermore, the Group received digital asset collateral under its digital asset lending arrangements with counterparties. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as digital assets 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 digital assets 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 digital assets 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.

The Group's digital asset portfolio mainly comprise cryptocurrencies and stablecoins whose measurement are as follows:

- Since the Group actively trades cryptocurrencies, purchasing them with a view to their resale in the near future, and generating a profit from the fluctuations of price, the Group applies the guidance in IAS 2 "Inventories" for commodity broker-traders and measures the digital assets 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.

- The Group has assessed the terms and conditions attached to stablecoins to determine whether they meet the definition of financial instruments. Certain stablecoins that are classified as financial instruments are measured at fair values with changes in fair value 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 assets and digital asset liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Digital assets *(Continued)*

(b) Digital assets not presented on the consolidated statement of financial position

Digital assets 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, are safekeeping in segregated client wallets. Based on the respective rights and obligations of OSL DS and its clients under the client terms and conditions ("OSL DS Client T&C"), digital assets held by OSL DS are recognised off the consolidated statement of financial position on the basis that (1) OSL DS does not entitle to any benefit of income from the holding of the digital assets on the client's behalf; (2) the digital assets are held in segregated wallets separate from OSL DS or the Group's own wallets; and (3) OSL DS is legally restrained from transferring or transacting with the client's digital assets other than as instructed by the clients.

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 receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade 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 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 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 receivables and Note 3.3(b) for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Cash and cash balances

(a) 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.

(b) Cash held on behalf of licensed entity customers

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(c) Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the government in the People's Republic of China (the "PRC") 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 for providing similar services as if they were employees 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 for providing similar services as if they were employees 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 40 for more details) to employees and consultants for providing similar services as if they were employees 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.

The fair value of deferred shares granted to employees and consultants for providing similar services as if they were employees 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Share-based payments *(Continued)*

Share-based payments to non-employees

Equity-settled share-based payments to parties other than employees and consultants for providing similar services as if they were employees 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 for providing similar services as if they were employees 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 employees, consultants for providing similar services as if they were employees 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.

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 (including the trade confirmations for respective trades) 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 "Revenue from Contracts with Customers" with the related digital asset, 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 "Financial Instruments" 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 assets 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 assets 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

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.

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 asset 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Income from digital asset lending

Interest income derived from digital asset lending 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 digital asset lending" in the consolidated statement of profit or loss and other comprehensive income.

Income from custodian services

The Group provides secured storage of digital asset 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.

Trading fee from automated trading service

The Group provides automated digital assets trading services through its proprietary platforms to its customers under the arrangements of DATA or OSL DS Client T&C. Under the arrangements, customers trade among themselves on the platforms where the Group merely provides facilitation services to match their trades. Trading fee is derived by calculating a fixed mark-up percentage on each trade transaction amount and are recognised at the time when each trade transaction is completed.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

(a) Lease assets *(Continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

(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

The Group classifies all leases where it is the lessor as operating leases as the Group will not transfer substantially all the risks and rewards incidental to ownership of the underlying assets. 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.

3 RISK DISCLOSURES

The Group operates in two main business segments, including a digital assets and blockchain platform 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 2022

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

Management considers the risks and uncertainties associated with the digital assets and blockchain platform business largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry continues to evolve, the Group has been implementing an operational infrastructure to support business development and growth. The infrastructure includes identifying physical locations, expanding IT infrastructure and maintaining control and support functions with an emphasis on laws and regulations, compliance, risk, financial reporting and operations.

3.2 Risk management of the digital assets and blockchain platform business

(i) Regulatory risk in relevant jurisdictions

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

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

In Singapore, the Payment Services Act ("PSA") went into effect on 28 January 2020. OSL SG Pte. Ltd. ("OSLSG"), a Singapore-based wholly owned subsidiary of the Group, previously submitted a notification to the Monetary Authority of Singapore ("MAS") that it is providing digital payment token services in Singapore and submitted an application for a licence. OSLSG is currently in the licence application process, and, pending review of its application by the MAS, is exempt from holding a licence under the PSA until the date that the licence application is approved or rejected by the MAS.

In addition, OSL Digital Limited, a wholly owned subsidiary of the Group incorporated in the British Virgin Islands, provides digital assets trading services to certain Latin American and certain North American clients. The provision of digital asset services is currently unregulated in the British Virgin Islands and certain Latin American jurisdictions; in the United States of America, OSL Digital Limited was registered as a Money Services Business in November 2021 with the Financial Crimes Enforcement Network, Department of the Treasury of the United States of America.

3 RISK DISCLOSURES *(Continued)*

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

(i) Regulatory risk in relevant jurisdictions *(Continued)*

In light of the licence in Hong Kong, the pending licence application in Singapore, the Money Services Business registration in the United States of America and ongoing regulatory developments across the globe, the Group's digital assets trading businesses are and will continue to be subject to the stringent regulatory compliance requirements in each relevant jurisdiction in which the Group may operate. This includes, but not limit to, Anti-Money Laundering ("AML") requirements for systems and controls, and in the case of Hong Kong and Singapore, requirements for minimum capital and liquid assets, business continuity, client asset protection, periodic reporting as well as financial and compliance audits.

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

To manage the enhanced risks and compliance frameworks associated with licensing, the Group continues to be supported by a strong team of experienced legal, risk 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 that regulated and compliant businesses represent the current and future direction of the digital asset industry as it develops and matures to meet the needs of traditional financial institutions and increasing regulatory oversight.

(ii) Price risk of digital assets

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

3 RISK DISCLOSURES *(Continued)*

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

(ii) Price risk of digital assets *(Continued)*

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 licence relating to any licensed entities of the Group, digital assets held in customers' accounts correspond to a liability due to the customers with both the digital assets and liability to customers recorded at fair value. Alternatively, where licensed entities of the Group are required to hold customers' assets on trust for the customers, such assets constitute trust assets, and are not accounted for as assets of the Group, and do not give rise to liabilities to the relevant customers. Therefore, in either case, the Group has no price volatility exposure from these holdings.

(iii) Risks related to safekeeping of assets

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

To mitigate such risks, the Group has implemented guidelines and risk control protocols to adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital asset wallet solution with comprehensive security controls and risk mitigation processes in place. Control procedures cover wallet generation, day-to-day wallet management and security, as well as monitoring and safeguarding of the Group's "hot" and "cold" wallets and public and private keys. In 2022, the Group continued to maintain insurance cover from third-party insurance providers covering both its "hot" and "cold" wallets.

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

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

To mitigate such risks, the Group has implemented policies and procedures for AML, Know-Your-Customer ("KYC"), and Know-Your-Business ("KYB") that are initiated during the client onboarding process and are applied by way of continuous monitoring, review and reporting. In designing these policies and procedures, the Group has considered industry best-practice, respective regulatory requirements and Financial Action Task Force (FATF) recommendations and guidance as the industry moves towards regulation.

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, limited access rights for all staff, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information security risks

Both the Group and client information are maintained on proprietary data infrastructure in conjunction with cloud service providers; such infrastructure is connected to the public internet and therefore subject to potential cyber-attacks.

To mitigate such risks, the Group's dedicated security team 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 access principle, robust data access management, 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 a proposed business or product will only be forthcoming once the Group's New Product Committee is satisfied that all necessary controls and support function processes are fully implemented.

(viii) Credit risk

In connection with the operation of the Group's digital assets 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 assets trading platforms and exchanges), which may expose the Group to credit risk. Credit risk in this context is the risk of non-payment, non-repayment, non-performance or default by a counterparty in respect of its obligations to the Group in relation to the relevant digital asset transactions.

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

3 RISK DISCLOSURES *(Continued)*

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

(viii) Credit risk *(Continued)*

In regards to recent-events after the reporting period in the US banking sector where the world witnessed failures of Silicon Valley Bank and the seizure of Signature Bank by US regulators, OSL enacted its Crisis Management Team so as to provide senior-level management of all OSL activities and in particular, (a) strict controls over trading and settlements that involved US Dollar in either trade leg and (b) comprehensive review of all banking lines and restrictions of bank deposits that involved US Dollar banking operations.

OSL's approach combined cautious and prudent risk management with highly controlled servicing of existing clients that resulted in safe order management, trade execution and settlement activity, albeit on a reduced universe of trading assets. The Crisis Management Team maintained its vigilance over an extended period of time as US regulators rolled out support to various banks and end clients; normal trading activity was recommenced after careful consideration of client credit health, trading activities across liquidity providers, banking relationships and enhanced supervision of settlements. As mitigated by the risk management practice outlined above and a diverse base of banking relationships in Asia Pacific, the U.S. and Europe, the impact of the US banking turmoil only had a short term and minimal impact on OSL overall business.

(ix) Business continuity

The Group operates its technology stack with remote data centre sites and has implemented business continuity and disaster recovery plans. The disaster recovery capability has been implemented to ensure resilience against external and internal threats, allowing business activities to continue during catastrophes and crises, such as disruption of utilities or denial of physical access to business offices.

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

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

(x) Operational risk

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

3 RISK DISCLOSURES *(Continued)*

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

(x) Operational risk *(Continued)*

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

(xi) Performance risk

The Group provides a range of technology services under its SaaS offering to third party clients to operate their own digital 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.

(xii) Investment risk

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

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 Mainland China, 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 2022 and 2021, most of the financial assets and liabilities of the Group's subsidiaries are denominated in their respective functional currencies.

There are certain United States dollar ("USD") and HK$ denominated financial assets and liabilities held by the Group's subsidiaries with HK$ and USD functional currency respectively. Since HK$ are pegged to the USD, management considers the foreign exchange risk arising from such 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.

For the Group's subsidiaries with Renminbi ("RMB") functional currency, all financial assets and liabilities are denominated in RMB and hence there is no material foreign exchange risk exposure.

(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.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk (Continued)

At 31 December 2022, if interest rates had been 100 (2021: 100) basis points higher/lower with all other variables held constant, the loss before income tax would have been HK$1,197,000 lower/higher (2021: HK$1,704,000 lower/higher), mainly as a result of higher/lower interest income on floating rate short term bank deposits.

(b) Credit risk

Our Group's credit risk is primarily attributable to trade receivables, contract assets, deposits and other receivables, cash held on behalf of licensed entity customers 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.

For trade receivables and contract assets, the Group has credit policy to monitor the level of credit risk. In general, the credit rating 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 historical credit records and other factors such as current market condition. The Group applies the simplified approach, which permits the use of the lifetime expected loss provision, to provide for expected credit losses provision for trade receivables and contract assets arising from revenue accounted under IFRS 15, which are related to business park management services as well as certain digital assets and blockchain platform business activities. For trade receivables arising from trading of digital assets in the OTC market and other receivables, general approach is applied.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets

(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 2021 was determined as follows for the trade receivables and contract assets related to traditional advertising services.

	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
At 31 December 2021						
Gross carrying amount (HK$'000)	4,835	–	–	–	7,374	12,209
Loss allowance (HK$'000)	(346)	–	–	–	(7,374)	(7,720)
Expected loss rate	7.15%	–	–	–	100%	63.23%

During the year ended 31 December 2022, the Group decided to discontinue the operation of traditional advertising segment. Consequently, the balance of trade receivables and contract assets, as well as the loss allowance recognised related to traditional advertising segment were written down to nil as at 31 December 2022.

More details for the discontinued operations, please refer to Note 14.

(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 2022, there was no outstanding receivable balance (2021: same).

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

(iii) Trade receivables and contract assets (digital assets and blockchain platform business)
Trade receivables (trading of digital assets in the OTC market)

For the trading of digital assets in the OTC market, 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 with a credit period of 1–3 days after invoice date.

Management makes individual assessment on expected credit losses of the trade receivables 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 2022, the trade receivables related to certain counterparties had been provided, amounted to approximately HK$2,807,000 (2021: Nil). The remaining receivable balance as at 31 December 2022 were fully settled subsequently (2021: same). Management believes that there was no material credit risk in the remaining trade receivables as at 31 December 2022 and the expected credit loss is close to zero (2021: same).

Trade receivables and contract assets (SaaS arrangement and other services)

Management makes individual assessment on expected credit losses of the trade receivables from the white label customers under the SaaS arrangement. During the year ended 31 December 2022, the trade receivables and contract assets related to certain white label customers had been provided, amounted to approximately HK$467,000 (2021: HK$2,176,000) and HK$473,000 (2021: Nil) respectively.

The directors believe that there was no material credit risk in the remaining trade receivables and contract assets balances as at 31 December 2022 and the expected credit loss is close to zero (2021: same).

Trade 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.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

Impairment losses on trade 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.

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. The directors believed that there was no material credit risk in the balances of deposits and other receivables and the expected credit loss is close to zero (2021: same).

Cash and cash balances (including cash held on behalf of licensed entity customers)

To manage the risk arising from cash and cash balances, 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.

As of 31 December 2022, 80% of the Group's cash and bank balances were held in a reputable bank in Hong Kong and another bank in the U.S. The Group maintained relationships with financial institutions with credit rating typically within the range of Ba2 and Aa2 issued by Moody's at the year end.

Subsequent to the reporting period date, there are certain market developments that have created uncertainties in the US banking sector, including news in relation to certain U.S. based banks used by the Group. The Group has transferred a substantial portion of the bank deposits that were held at those U.S. banks to other Hong Kong or Asian based banks which have at least credit rating of A3 subsequent to year end and up to the date of issuance of these consolidated financial statements.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk

Exposure

Digital assets that the Group deals with in its trading activities are digital assets mainly include Bitcoin ("BTC"), Ethereum ("ETH"), USD Coin and Tether 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(c), Note 22(d), Note 28(a)(ii), Note 28(b), Note 30 and Note 31(c)). In particular, the Group's operating result may depend upon the market price of BTC and ETH, as well as other digital assets. Digital asset prices have fluctuated significantly from time to time. There is no assurance that digital asset prices will reflect historical trends.

The price risk of digital assets arising from digital assets and blockchain platform business is partially 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 assets, the Group's operating principle is to reduce price risk by maintaining a relatively low net position of digital assets 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.

As disclosed in Note 20, the Group has proprietary digital assets of HK$158,311,000 (2021: HK$721,035,000) and 62% (2021: 69%) of the balances are stablecoins, which are asset-backed with fair values approximate USD1 per unit with limited price risk.

Sensitivity

At 31 December 2022, if the prices of digital assets held by the Group had increased/decreased by 6% (2021: 9%) (being a reasonably expected change determined based on net average monthly price movements and the Group's balances in different types of digital assets) 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 (excluding stablecoins) listed in the table below would have been higher or lower as follow:

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk *(Continued)*

Sensitivity *(Continued)*

Fair value changed by 6% (2022 average price movement):

	Loss before income tax from continuing operations 2022 HK$'000	Loss before income tax from continuing operations 2021 HK$'000
Increase in fair value:		
Digital assets	**65,205 lower**	216,250 lower
Digital asset liabilities due to customers	**55,479 higher**	150,857 higher
Digital asset receivable	**–**	113 lower
Collateral payables	**–**	4,775 higher
Decrease in fair value:		
Digital assets	**65,205 higher**	216,250 higher
Digital asset liabilities due to customers	**55,479 lower**	150,857 lower
Digital asset receivable	**–**	113 higher
Collateral payables	**–**	4,775 lower

Fair value changed by 9% (2021 average price movement):

	Loss before income tax from continuing operations 2021 HK$'000
Increase in fair value:	
Digital assets	245,746 lower
Digital asset liabilities due to customers	220,601 higher
Digital asset receivable	166 lower
Collateral payables	6,995 higher
Decrease in fair value:	
Digital assets	245,746 higher
Digital asset liabilities due to customers	220,601 lower
Digital asset receivable	166 higher
Collateral payables	6,995 lower

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk *(Continued)*

Sensitivity (Continued)

Among the balances, 26% of digital assets (2021: 22%) and 20% of digital asset liabilities due to customers (2021: 12%) are stablecoins, which are asset-backed with fair values approximate USD1 per unit with limited price risk.

As at 31 December 2022, digital assets borrowed from counterparties of HK$11,699,000 (2021: HK$33,838,000) and related interest payables of HK$134,000 (2021: HK$611,000) were related to stablecoins. As the relevant stablecoins are asset-backed and has a market value of approximately USD1 per unit with minimal fluctuation, the price risk is insignificant and no sensitivity analysis is presented.

(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.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2022					
Borrowings (excluding non-financial borrowings of digital assets)	21,196	–	–	–	21,196
Lease liabilities	–	50,363	40,947	22,314	113,624
Liabilities due to customers	1,574,062	–	–	–	1,574,062
Trade payables	–	22,564	–	–	22,564
Accruals, other payables and deposits received (excluding employee benefits, other tax payables and non-financial interest payable)	–	56,354	–	10,785	67,139
	1,595,258	129,281	40,947	33,099	1,798,585

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2021					
Borrowings (excluding non-financial borrowings of digital assets)	21,196	65,169	–	–	86,365
Lease liabilities	–	59,485	60,186	75,362	195,033
Liabilities due to customers	3,516,123	–	–	–	3,516,123
Trade payables	–	49,809	–	–	49,809
Accruals, other payables and deposits received (excluding employee benefits, other tax payables and non-financial interest payable)	–	64,110	–	17,258	81,368
	3,537,319	238,573	60,186	92,620	3,928,698

3 RISK DISCLOSURES *(Continued)*

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 2022 was 74% (2021: 77%).

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 DS, 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.

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.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

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

(i) Fair value hierarchy

Recurring fair value measurements

At 31 December 2022
Financial assets

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Unlisted preference shares	*26*	**–**	**–**	**50,400**	**50,400**

Financial liabilities

	Note	Level 1 HK$'000	Level 1 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities due to customers					
— Fiat currency liabilities	*30*	**671,030**	**–**	**–**	**671,030**

At 31 December 2021
Financial assets

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Unlisted preference shares	*26*	–	–	23,392	23,392
Unlisted convertible note	*26*	–	–	1,621	1,621
		–	–	25,013	25,013

Financial liabilities

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities due to customers					
— Fiat currency liabilities	*30*	717,249	–	–	717,249

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

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

(i) Fair value hierarchy *(Continued)*

Recurring fair value measurements (Continued)

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).

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

The following table presents the changes in level 3 items for years ended 31 December 2022 and 31 December 2021:

Financial assets

	Unlisted preference shares		Unlisted preference shares (2021: Unlisted convertible note)		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Opening balance at 1 January	**23,392**	–	**1,621**	–	**25,013**	–
Addition	**–**	23,339	**–**	1,556	**–**	24,895
Change in fair value	**25,522**	53	**–**	65	**25,522**	118
Exchange difference	**(137)**	–	**2**	–	**(135)**	–
Closing balance at 31 December	**48,777**	23,392	**1,623**	1,621	**50,400**	25,013

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

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

(iii) Valuation inputs and relationships to fair value

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

Financial instruments	Fair value as at 31 December 2022 HK$'000	Fair value as at 31 December 2021 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs 31 December 2022	Significant unobservable inputs 31 December 2021	Relationship of unobservable inputs to fair value
(1) Unlisted preference shares	**48,777**	23,392	Level 3	Market approach and hybrid method, and the key inputs include risk-free rate, expected volatility and comparable companies market capitalisation movements between the recent transaction date and the relevant valuation date (2021: Market approach is adopted and the key input is adjusted price-to-book ratio)	**Risk-free rate: 4.57%** **Expected volatility: 92%** **Comparable companies' market capitalisation movements between the recent transaction date and the valuation date: -67%**	Adjusted price-to-book ratio: 4.31	2022: The higher the risk-free rate, the lower the fair value. The higher the expected volatility, the lower the fair value. The higher the negative change in market capitalisation movements, the lower the fair value. 2021: The higher the price-to-book ratio, the higher the fair value.
(2) Unlisted preference shares (2021: Unlisted convertible note)	**1,623**	1,621	Level 3	Market approach and the key inputs include the recent transaction price and relevant market information that lead to the change in fair value between the recent transaction date and the valuation date (2021: Discounted cash flow model of the coupon interest and principal is adopted and the key input is discount rate)	**Fair value movements between the recent transaction date and the valuation date: 0%**	Discount rate: 4.98%	2022: The higher the negative fair value movements between the recent transaction date and the valuation date, the lower the fair value. 2021: The higher the discount rate, the lower the fair value.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Digital assets and digital asset liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the digital assets and digital asset 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 digital assets and digital asset liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.5(a).

Recurring fair value measurements

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022					
Digital assets					
Digital assets	*20*	**1,057,824**	**3,519**	**–**	**1,061,343**
Digital asset liabilities					
Interest payables related to digital assets borrowed from counterparties	*28(a)*	**134**	**–**	**–**	**134**
Liabilities due to customers					
Digital asset liabilities	*30*	**903,032**	**–**	**–**	**903,032**
Digital assets borrowed from counterparties	*31(c)*	**11,699**	**–**	**–**	**11,699**
		914,865	**–**	**–**	**914,865**

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Digital assets and digital asset liabilities *(Continued)*

(i) Fair value hierarchy *(Continued)*

Recurring fair value measurements (Continued)

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2021					
Digital assets					
Digital assets	*20*	3,519,909	–	–	3,519,909
Digital asset receivable	*22(c)*	1,844	–	–	1,844
		3,521,753	–	–	3,521,753
Digital asset liabilities					
Collateral payables	*28(b)*	77,727	–	–	77,727
Interest payables related to digital assets borrowed from counterparties	*28(a)*	611	–	–	611
Liabilities due to customers					
Digital asset liabilities	*30*	2,798,874	–	–	2,798,874
Digital assets borrowed from counterparties	*31(c)*	33,838	–	–	33,838
		2,911,050	–	–	2,911,050

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year (2021: Except for USD Coins which changed from level 2 to level 1, there were no transfers between levels 1, 2 and 3 for recurring fair value measurements).

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Digital assets and digital asset 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:

Digital assets	Fair value as at 31 December 2022 HK$'000	Fair value as at 31 December 2021 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs 31 December 2022	Significant unobservable inputs 31 December 2021	Relationship of unobservable inputs to fair value
Digital assets	3,519	–*	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	2022 and 2021: Changes in price of BTC would change the price of these digital assets measured at level 2 fair value proportionately.

* Less than HK$1,000

Note:

Digital assets 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 lending 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 assets and 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.

As at 31 December 2022 and 2021, the digital assets and 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 digital assets and the liabilities due to customers 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 types of digital assets are not traded in an active market for fiat currency, instead, they are only traded for another type of digital assets. In such case, the digital assets 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.

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 existing accounting framework and the facts and circumstances of the Group's digital assets and blockchain platform business.

The Group's digital assets portfolio mainly comprises cryptocurrencies and stablecoins. According to the business model of the Group's activities and the characteristics of each of the relevant digital assets, the Group's digital assets are accounted for either as inventories measured at fair value less costs to sell or financial instruments measured at fair value on the consolidated statement of financial position. There are also digital assets held by the Group solely for the benefits of its clients in segregated wallets where such holding is not recognised by the Group as its own assets. 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 receivables, contract assets and other receivables

The loss allowances for trade 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Provision for impairment of property, plant and equipment (including right-of-use assets) and intangible assets

Property, plant and equipment (including right-of-use assets) and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When there are indications for impairment, the recoverable amounts of property, plant and equipment (including right-of-use assets) and intangible assets will be determined based on the higher of its value in use or its fair value less costs of disposal, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset or cash-generating unit's values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows estimated to be derived from an asset or cash-generating unit; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate, or the key assumptions applied in assessing the fair value less costs of disposal of the related asset or cash-generating unit. Changing the management assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's consolidated financial position and results of operations.

(e) Fair value of non-listed financial assets

As disclosed in Notes 2.11 and 3.5(a), the Group recognised the financial assets at fair value at recognition date as well as at each subsequent recording date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

5 SEGMENT REPORTING

The chief operating decision-maker (the "CODM") of the Group has been identified as the executive directors of the Company. The CODM regularly review income and operating results derived from different segments. On 25 October 2022, the Group announced that the traditional advertising segment would cease to operate and would be deregistered subsequently. Since the decision was made, the CODM did not separately review the results of the traditional advertising business, which is presented as discontinued operations for the preparation of the consolidated financial statements for the year.

The Group has the following reportable segments. 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 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.

— Business park area management — providing operation and management services in business park area in Mainland China.

5 SEGMENT REPORTING *(Continued)*

Segment results

	Digital assets and blockchain platform business HK$'000	Business park area management HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2022				
Results				
Continuing operations				
Income from other sources:				
Trading of digital assets and net fair value loss on digital assets *(Note 7)*	20,894	–	–	20,894
Rental income from business park area management services	–	44,365	–	44,365
Revenue from contracts with customers:				
Service fee from SaaS *(Note 7)*	30,070	–	–	30,070
Trading fee from automated trading service *(Note 7)*	13,359	–	–	13,359
Income from custodian services and other revenues *(Note 7)*	7,157	–	–	7,157
Segment results	70,165	22,370	–	92,535
Finance income *(Note 9)*	264	407	1,183	1,854
Finance costs *(Note 9)*	(2,632)	(9,743)	(10,010)	(22,385)
Fair value changes of financial assets at fair value through profit or loss *(Note 8)*	–	–	25,522	25,522
Provision for impairment losses on financial assets and contract assets, net *(Note 10)*	(3,747)	–	–	(3,747)
Share of net post-tax loss of an associate accounted for using the equity method *(Note 25)*	(20,890)	–	–	(20,890)
Other expenses *(Note (ii))*	(591,800)	(2,273)	(27,668)	(621,741)
(Loss)/profit before income tax	(548,640)	10,761	(10,973)	(548,852)
Income tax expense *(Note 13)*	(496)	(761)	–	(1,257)
(Loss)/profit from continuing operations	(549,136)	10,000	(10,973)	(550,109)
Discontinued operations				
Profit from discontinued operations *(Note 14)*				141
Loss for the year				(549,968)

5 SEGMENT REPORTING *(Continued)*

Segment results *(Continued)*

	Digital assets and blockchain platform business HK$'000	Business park area management HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities				
Reportable segment assets *(Note (iii))*	**2,121,236**	**131,029**	**224,862**	**2,477,127**
Assets related to discontinued operations				**37,172**
Total assets				**2,514,299**
Reportable segment liabilities *(Note (iii))*	**1,638,634**	**85,879**	**123,177**	**1,847,690**
Liabilities related to discontinued operations				**7,310**
Total liabilities				**1,855,000**
Other segment information				
Depreciation and amortisation				
— From continuing operations *(Note 10)*	**10,257**	**20,928**	**29,215**	**60,400**
— From discontinued operations *(Note 17)*				**335**
				60,735

5 SEGMENT REPORTING *(Continued)*

Segment results *(Continued)*

	Digital assets and blockchain platform business HK$'000	Business park area management HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2021 (Restated) *(Note 1.1)*				
Results				
Continuing operations				
Income from other sources:				
Trading of digital assets and net fair value loss on digital assets *(Note 7)*	252,250	–	–	252,250
Rental income from business park area management services	–	46,663	–	46,663
Revenue from contracts with customers:				
Service fee from SaaS *(Note 7)*	10,114	–	–	10,114
Trading fee from automated trading service *(Note 7)*	6,778	–	–	6,778
Income from custodian services and other revenues *(Note 7)*	8,533	–	–	8,533
Segment results	276,079	23,692	–	299,771
Finance income *(Note 9)*	43	227	6,298	6,568
Finance costs *(Note 9)*	(5,186)	(11,978)	(17,245)	(34,409)
Provision for impairment losses on financial assets and contract assets, net *(Note 10)*	(2,176)	–	–	(2,176)
Share of net post-tax loss of an associate accounted for using the equity method *(Note 25)*	(5,434)	–	–	(5,434)
Other expenses *(Note (ii))*	(438,738)	(4,894)	(179,820)	(623,452)
(Loss)/profit before income tax	(175,412)	7,047	(190,767)	(359,132)
Income tax expense *(Note 13)*	–	(1,455)	–	(1,455)
(Loss)/profit from continuing operations	(175,412)	5,592	(190,767)	(360,587)
Discontinued operations				
Loss from discontinued operations *(Note 14)*				(8,656)
Loss for the year				(369,243)

5 SEGMENT REPORTING *(Continued)*

Segment results *(Continued)*

	Digital assets and blockchain platform business HK$'000	Business park area management HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities				
Reportable segment assets *(Note (iii))*	4,881,203	153,646	193,945	5,228,794
Assets related to discontinued operations				49,965
Total assets				5,278,759
Reportable segment liabilities *(Note (iii))*	3,763,793	115,392	192,239	4,071,424
Liabilities related to discontinued operations				16,192
Total liabilities				4,087,616
Other segment information				
Depreciation and amortisation				
— From continuing operations *(Note 10)*	9,783	21,735	30,005	61,523
— From discontinued operations *(Note 17)*				726
				62,249

Notes:

(i) All income was generated from external customers. There were no sales or other transactions between the business segments for the years ended 31 December 2022 and 2021.

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

(iii) Unallocated assets are mainly financial assets at fair value through profit or loss and cash and cash equivalents held by head office. Unallocated liabilities are mainly lease liabilities, borrowings and accruals for head office.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
From continuing operations		
Recognised over time:		
Service fee from SaaS *(Note 7)*	**30,070**	10,114
Income from custodian services *(Note 7)*	**5,052**	4,781
Others *(Note 7)*	**2,105**	3,147
Recognised at a point of time:		
Trading fee from automated trading service *(Note 7)*	**13,359**	6,778
Others *(Note 7)*	**–**	605

7 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2022 HK$'000	2021 HK$'000
From continuing operations		
Income from digital assets and blockchain platform business:		
Trading of digital assets *(Note (a))*	**24,295**	263,721
Net fair value loss on digital assets *(Note (a))*	**(3,401)**	(11,471)
Service fee from SaaS *(Note 6)*	**30,070**	10,114
Trading fee from automated trading service *(Note 6)*	**13,359**	6,778
Income from custodian services *(Note 6)*	**5,052**	4,781
Others *(Note 6)*	**2,105**	3,752
	71,480	277,675

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 the 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 GAINS/(LOSSES), NET

	2022 HK$'000	2021 HK$'000
From continuing operations		
Other income		
Government grants *(Note (a))*	**610**	703
Others *(Note (b))*	**2,143**	–
Total	**2,753**	703

Notes:

(a) The amount mainly represented cash subsidies in respect of the Jobs Support Scheme granted by Inland Revenue Authority of Singapore (2021: The amount mainly represented cash subsidies in respect of the Financial Sector Development Fund granted by the Monetary Authority of Singapore) for which the conditions of the grants have been fully satisfied as at the end of the year (2021: same).

(b) The amount mainly represented the income received in respect of an experimental agreement in providing services regarding the wallet operation of an external third-party.

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
From continuing operations		
Other gains/(losses), net		
Exchange gains/(losses), net	**3,252**	(6,462)
Gain on lease modification	**1,568**	–
Fair value changes of financial assets at fair value through profit or loss *(Note 3.5(a)(ii))*	**25,522**	118
Others	**482**	756
Total	**30,824**	(5,588)

9 FINANCE COSTS, NET

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
From continuing operations		
Finance income		
Interest income from bank deposits	**894**	277
Interest income from a convertible note *(Note)*	**18**	60
Imputed interest income from rental deposits	**942**	856
Imputed interest income from pledged deposits	**–**	5,375
	1,854	6,568
Finance costs		
Interest expense on borrowings	**(4,138)**	(4,357)
Interest expense on lease liabilities *(Note 29(b))*	**(17,203)**	(21,625)
Interest expense on digital assets borrowed from counterparties	**(1,044)**	(3,240)
Imputed interest expense on borrowings	**–**	(5,187)
	(22,385)	(34,409)
Finance costs, net	**(20,531)**	(27,841)

Note:

The amount represented interest income from a convertible note with coupon rate of 5% per annum. On 22 March 2022, the Group exercised the conversion right to fully convert the convertible note into preference shares. For further details, please refer to Note 26.

10 EXPENSES BY NATURE

Cost of revenue, selling expenses, administrative and other operating expenses, and provision for impairment losses on financial assets and contract assets, net from the continuing operations included the following:

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Continuing operations		
Auditor's remuneration		
— Audit services	**11,150**	11,895
— Non-audit services	**7,667**	3,903
Amortisation of intangible assets *(Note 18)*	**14,759**	14,749
Consultancy fee (including share-based payments)	**105,159**	33,774
Cost of revenue relating to provision of SaaS *(Note 33(c))*	**1,315**	1,596
Depreciation of property, plant and equipment (excluding right-of-use assets) *(Note 17)*	**9,913**	10,481
Depreciation of right-of-use assets *(Note 17)*	**35,728**	36,293
Employee benefit expenses (including directors' emoluments) *(Note 11)*	**306,857**	349,181
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 29(b))*	**8,320**	4,623
Legal and professional fees	**10,875**	10,960
Provision for impairment of trade receivables *(Note 21)*	**3,274**	2,176
Provision for impairment of contract assets *(Note 33)*	**473**	–
Share-based payment to a warrant holder *(Note (a))*	**–**	49,826
Travelling expenses	**3,556**	855
IT costs	**49,769**	44,353
Referral fees	**17,698**	–
Others	**70,340**	70,645
Total	**656,853**	645,310
Represented by:		
Cost of revenue	**23,310**	24,567
Selling expenses	**55,813**	88,180
Administrative and other operating expenses	**573,983**	530,387
Provision for impairment losses on financial assets and contract assets, net	**3,747**	2,176
	656,853	645,310

10 EXPENSES BY NATURE *(Continued)*

Note (a):

The share-based payment expenses were 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 assets trading platforms during the year ended 31 December 2021.

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. 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 assets 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 from the first day following the end of the relevant measurement periods to 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 2021, share-based payment expenses of approximately HK$49,826,000 measured using the basis described above was recognised under "selling expenses".

The key inputs for the share-based payment expenses related to warrants are (i) the weighted average share price of the Company as at the measurement date in 2021: HK$8.24 and (ii) number of warrants vested up to 31 December 2021: 11,526,270.

11,526,270 warrant shares were exercised by the Warrant Holder during the year ended 31 December 2022 (2021: no warrant shares were exercised).

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Salaries, bonuses, allowances and other benefits in kind	**276,555**	262,876
Pension costs — defined contribution plans	**12,650**	3,947
Share-based payments to employees	**25,147**	87,789
	314,352	354,612
Less: staff costs mainly capitalised as the following development costs		
— Cost to fulfil revenue contracts	**(7,495)**	(5,431)
	306,857	349,181

During the year ended 31 December 2022, the Group did not operate defined benefit plan (2021: same).

(a) Pensions — defined contribution plans

As at 31 December 2022, there were no forfeited contributions available to offset future retirement benefit obligations of the Group (2021: same).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2021: three) directors whose emoluments are reflected in the analysis shown in Note 12. The emoluments payable to the remaining two (2021: two) individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits in kind	**4,178**	4,128
Pension scheme contributions	**36**	36
Share-based payments to employees	**6,683**	12,704
Bonuses	**–**	5,055
	10,897	21,923

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$4,000,001 to HK$4,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	–
HK$10,000,001 to HK$10,500,000	**–**	1
HK$11,000,001 to HK$11,500,000	**–**	1
	2	2

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) The remuneration of all directors for the years ended 31 December 2022 and 2021 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compensation HK$'000	Total HK$'000
Year ended 31 December 2022					
Executive directors:					
Mr. Lo Ken Bon	**–**	**3,602**	**18**	**2,115**	**5,735**
Mr. Ko Chun Shun, Johnson	**1,200**	**–**	**–**	**2,115**	**3,315**
Mr. Madden Hugh Douglas	**–**	**3,602**	**18**	**2,115**	**5,735**
Mr. Chapman David James	**6**	**3,582**	**18**	**2,115**	**5,721**
Mr. Tiu Ka Chun, Gary	**–**	**3,257**	**18**	**961**	**4,236**
Non-executive directors:					
Mr. Chia Kee Loong, Lawrence	**480**	**–**	**–**	**297**	**777**
Mr. Chau Shing Yim, David	**480**	**–**	**–**	**297**	**777**
Mr. Tai Benedict	**480**	**–**	**–**	**297**	**777**
	2,646	**14,043**	**72**	**10,312**	**27,073**

12 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) The remuneration of all directors for the years ended 31 December 2022 and 2021 is set out below: *(Continued)*

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonuses* HK$'000	Pension scheme contributions HK$'000	Share-based compensation HK$'000	Total HK$'000
Year ended 31 December 2021						
Executive directors:						
Mr. Lo Ken Bon	–	3,600	5,400	18	4,694	13,712
Mr. Ko Chun Shun, Johnson	1,200	–	1,800	–	4,426	7,426
Mr. Madden Hugh Douglas	–	3,600	5,400	18	4,694	13,712
Mr. Chapman David James	484	2,149	4,670	18	4,694	12,015
Mr. Tiu Ka Chun, Gary	–	3,240	3,780	18	1,860	8,898
Non-executive directors:						
Mr. Chia Kee Loong, Lawrence	480	–	–	–	443	923
Mr. Chau Shing Yim, David	480	–	–	–	443	923
Mr. Tai Benedict	480	–	–	–	443	923
	3,124	12,589	21,050	72	21,697	58,532

* The discretionary bonuses for the directors amounted to HK$21,050,000 were declared and approved by the Remuneration Committee in June 2021, October 2021 and February 2022.

(b) Directors' emoluments

None of the directors has waived any of their emoluments in respect of the years ended 31 December 2022 and 2021.

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2022 and 2021.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2022 and 2021.

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

During the years ended 31 December 2022 and 2021, no consideration was paid by the Company to third parties for making available directors' services.

12 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

Mr. Ko Chun Shun, Johnson, through his wholly owned company, provided a loan facility up to HK$56,000,000 to the Group and it was drawn down during the year ended 31 December 2020. During the year ended 31 December 2021, the principal of the borrowing was 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. The loan was fully settled during the year ended 31 December 2021.

Except for the loans mentioned above, during the years ended 31 December 2022 and 2021, there were no other 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 37, 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 2022 and 2021 or at any time during the years ended 31 December 2022 and 2021.

13 INCOME TAX EXPENSE

The corporate income tax in Mainland China has been provided at the rate of 25% (2021: 25%) on the estimated assessable profits for the year. The corporate income tax in the United Kingdom ("UK") has been provided at the rate of 19% (2021: 19%) on the estimated assessable profits for the year. Income tax on profits assessable outside Mainland China and the UK 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 profit arising in Hong Kong and Singapore during the year ended 31 December 2022 (2021: same).

13 INCOME TAX EXPENSE *(Continued)*

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

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Continuing operations		
Current income tax expense:		
PRC corporate income tax	**4,548**	3,619
UK corporate income tax	**496**	–
Deferred income tax credit *(Note 32)*	**(3,787)**	(2,164)
Income tax expense from continuing operations	**1,257**	1,455
Discontinued operations		
Over-provision in prior years:		
PRC corporate income tax	**–**	(20)
Income tax credit from discontinued operations	**–**	(20)
Total income tax expense from continuing and discontinued operations	**1,257**	1,435

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

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Loss from continuing operations before income tax	**(548,852)**	(359,132)
Profit/(loss) from discontinued operations before income tax	**141**	(8,676)
Share of net post-tax loss of an associate accounted for using the equity method	**20,890**	5,434
	(527,821)	(362,374)
Tax calculated at a rate of 25% (2021: 25%)	**(131,955)**	(90,593)
Tax effect of different tax rates of subsidiaries operated in other jurisdictions	**42,955**	30,699
Expenses not deductible for tax purposes	**30,688**	27,682
Income not subject to tax	**(12,291)**	(20,391)
Utilisation of previously unrecognised tax losses	**(23)**	–
Tax losses for which no deferred income tax assets were recognised	**71,883**	54,058
Over-provision in prior years	**–**	(20)
Income tax expense	**1,257**	1,435

14 DISCONTINUED OPERATIONS

On 25 October 2022, the Group announced that the two wholly owned subsidiaries of the Group, SumZone Advertising and SumZone Marketing, which were engaged in the provision of traditional advertising services, public relation services and event marketing services in Mainland China, would cease to operate and would be deregistered subsequently. For the year ended 31 December 2022, the Group ceased the operations of the traditional advertising segment, and the deregistration process of the above subsidiaries were subsequently completed in February 2023. Consequently, the entire traditional advertising business, which was historically presented as a separate segment, is reported in the current period as discontinued operations. Accordingly, certain comparative figures related to the discontinued operations have been restated in the consolidated financial statements. An analysis of the results and cash flows of the discontinued operations for the years ended 31 December 2022 and 2021 is as below:

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Discontinued operations		
Statement of profit or loss of the discontinued operations:		
Revenue	**7,691**	27,681
Cost of revenue	**(7,678)**	(24,823)
Other gains, net	**2,399**	343
Administrative and other operating expenses	**(2,944)**	(6,108)
Reversal of/(provision for) impairment losses on financial assets and contract assets	**319**	(6,057)
Finance income, net	**354**	288
Profit/(loss) before tax from discontinued operations	**141**	(8,676)
Income tax credit	**–**	20
Profit/(loss) from discontinued operations (attributable to the owners of the Company)	**141**	(8,656)
Statement of cash flows of the discontinued operations		
Net cash (used in)/generated from operating activities	**(735)**	7,332
Net cash generated from/(used in) investing activities	**9,028**	(10,973)
Net cash inflows/(outflows)	**8,293**	(3,641)

15 DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

16 LOSS PER SHARE

For continuing and discontinued operations

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

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
Loss for the year attributable to the owners of the Company	**541,038**	375,675
Add: Profit/(loss) for the year from discontinued operations	**141**	(8,656)
Loss for the year from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**541,179**	367,019

	2022	2021
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**423,698,020**	395,896,435

	2022 HK$	2021 HK$ (Restated) (Note 1.1)
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (per share)	**(1.28)**	(0.93)
Diluted (per share)	**(1.28)**	(0.93)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (per share)	**(1.28)**	(0.95)
Diluted (per share)	**(1.28)**	(0.95)

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

For the year ended 31 December 2022, the Company had two categories of potential ordinary shares: share options and share awards (2021: 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.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Office furniture and equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2021					
Cost	39,729	17,941	2,994	264,521	325,185
Accumulated depreciation	(16,069)	(9,560)	(1,515)	(111,305)	(138,449)
Net book amount	23,660	8,381	1,479	153,216	186,736
Year ended 31 December 2021					
Opening net book amount	23,660	8,381	1,479	153,216	186,736
Additions	10,973	1,592	–	–	12,565
Depreciation (Restated) *(Note 1.1)*					
— From continuing operations *(Note 10)*	(6,916)	(3,565)	–	(36,293)	(46,774)
— From discontinued operations	(229)	(12)	(485)	–	(726)
Disposals	–	(19)	(118)	–	(137)
Currency translation differences	377	(6)	44	2,495	2,910
Closing net book amount	27,865	6,371	920	119,418	154,574
At 31 December 2021					
Cost	51,278	19,489	1,872	269,538	342,177
Accumulated depreciation	(23,413)	(13,118)	(952)	(150,120)	(187,603)
Net book amount	27,865	6,371	920	119,418	154,574

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvement HK$'000	Office furniture and equipment HK$'000	Motor vehicles HK$'000	Right-of-use Assets HK$'000	Total HK$'000
Year ended 31 December 2022					
Opening net book amount	27,865	6,371	920	119,418	154,574
Additions	–	1,838	–	–	1,838
Lease modification *(Note 29 (b)(ii))*	–	–	–	(1,783)	(1,783)
Depreciation					
— From continuing operations *(Note 10)*	(6,874)	(3,039)	–	(35,728)	(45,641)
— From discontinued operations	(171)	–	(164)	–	(335)
Disposals	(10,176)	(14)	(694)	–	(10,884)
Currency translation differences	(922)	(66)	(50)	(4,465)	(5,503)
Closing net book amount	9,722	5,090	12	77,442	92,266
At 31 December 2022					
Cost	39,280	20,553	888	256,841	317,562
Accumulated depreciation	(29,558)	(15,463)	(876)	(179,399)	(225,296)
Net book amount	9,722	5,090	12	77,442	92,266

18 INTANGIBLE ASSETS

	Goodwill HK$'000	Computer software and domain HK$'000	Acquired lease with favorable terms HK$'000	Total HK$'000
At 1 January 2021				
Cost	10,993	26,883	48,857	86,733
Accumulated amortisation	–	(11,736)	(22,449)	(34,185)
Year ended 31 December 2021				
Opening net book amount	10,993	15,147	26,408	52,548
Additions	–	50,933	–	50,933
Amortisation *(Note 10)*				
— From continuing operations	–	(9,368)	(5,381)	(14,749)
Currency translation differences	407	–	882	1,289
Closing net book amount	11,400	56,712	21,909	90,021
At 31 December 2021				
Cost	11,400	77,822	50,667	139,889
Accumulated amortisation	–	(21,110)	(28,758)	(49,868)
Net book amount	11,400	56,712	21,909	90,021

18 INTANGIBLE ASSETS *(Continued)*

	Goodwill HK$'000	Computer software and domain HK$'000	Acquired lease with favorable terms HK$'000	Total HK$'000
Year ended 31 December 2022				
Opening net book amount	11,400	56,712	21,909	90,021
Amortisation *(Note 10)*				
— From continuing operations	–	(9,577)	(5,182)	(14,759)
Currency translation differences	(889)	–	(1,579)	(2,468)
Closing net book amount	10,511	47,135	15,148	72,794
At 31 December 2022				
Cost	10,511	77,822	46,713	135,046
Accumulated amortisation	–	(30,687)	(31,565)	(62,252)
Net book amount	10,511	47,135	15,148	72,794

(a) Goodwill

Goodwill of RMB9,276,000 (equivalent to HK$10,511,000 as at 31 December 2022) 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 2022, 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 an eight-year (2021: nine-year) period, and a pre-tax discount rate of 19.0% per annum (2021: 22.2% per annum). The eight years (2021: nine 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 normal operation cycle, 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 2022 and 2021 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.

18 INTANGIBLE ASSETS *(Continued)*

(b) Acquired lease with favorable terms

The 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 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.

19 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 and 2021 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.

Name	Place of incorporation/ establishment and principal place of operations	Issued/registered and paid-up share capital	Ownership interest held by the Group 2022	2021	Principal activities
Directly owned:					
BC Technology Holdings Limited	BVI	Ordinary share of 1, USD1	**100%**	100%	Investment holding
OS Holdings Limited ("OSHL")	BVI	Ordinary shares of 300,000, USD300,000	**91%**	91%	Investment holding
BC Business Management Services Limited	BVI	Ordinary shares of 1, USD1	**100%**	100%	Investment holding

19 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and principal place of operations	Issued/registered and paid-up share capital	Ownership interest held by the Group 2022	2021	Principal activities
Indirectly owned:					
BC Technology (Hong Kong) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision of corporate treasury and technical services for the Group
OS Limited	Hong Kong	Ordinary share of 1, HK$1	**91%**	91%	Provision of digital assets and blockchain platform business
BC MarketPlace (HK) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision of digital assets and blockchain platform business
OSL SG	Singapore	Ordinary share of 63,950,000, SGD63,950,000 (2021: 4,700,000, SGD4,700,000)	**100%**	100%	Provision of digital assets and blockchain platform business
OSL DS	Hong Kong	Ordinary share of 140,940,000, HK$140,940,000	**100%**	100%	Provision of regulated brokerage and automated trading service for digital assets under SFC's licensing regime
OSL Digital Limited	BVI/Latin America and North America	Ordinary share of 1, USD1	**100%**	100%	Provision of digital assets and blockchain platform business
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
SumZone Advertising *(Note 1.1)*	Mainland China (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision of advertising services
SumZone Marketing *(Note 1.1)*	Mainland China (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision of advertising services
上海憬威企業發展有限公司 ("Shanghai Jingwei")	Mainland China (limited liability company under the laws of the PRC)	Registered capital RMB10,000,000, fully paid	**90%**	90%	Provision of business park area operation and management services

19 SUBSIDIARIES *(Continued)*

Shanghai Jingwei and OSHL, 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 OSHL before intra-group elimination are presented below:

	Shanghai Jingwei		OSHL		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Summarised statement of comprehensive income						
Revenue/trading income/(loss)	**44,365**	46,663	**(95,764)**	12,614	**(51,399)**	59,277
Profit/(loss) for the year	**9,999**	5,592	**(104,089)**	61,560	**(94,090)**	67,152
Total comprehensive income/(loss)	**4,743**	7,996	**(103,819)**	61,408	**(99,076)**	69,404
Dividend paid to a non-controlling interest	**–**	(1,360)	**–**	–	**–**	(1,360)
Profit/(loss) allocated to non-controlling interests	**1,000**	559	**(9,930)**	5,873	**(8,930)**	6,432
Total comprehensive income/(loss) allocated to non-controlling interests	**474**	800	**(9,904)**	5,858	**(9,430)**	6,658
Summarised cash flows						
Cash inflows/(outflows) from operating activities	**30,526**	22,970	**39,719**	(61,754)	**70,245**	(38,784)
Cash inflows from investing activities	**–**	–	**4,656**	–	**4,656**	–
Cash outflows from financing activities	**(23,548)**	(27,473)	**(65,650)**	(42,326)	**(89,198)**	(69,799)
Net cash inflows/(outflows)	**6,978**	(4,503)	**(21,275)**	(104,080)	**(14,297)**	(108,583)
Summarised balance sheet						
Current assets	**64,597**	60,316	**55,751**	1,720,702	**120,348**	1,781,018
Non-current assets	**83,662**	112,713	**86**	240	**83,748**	112,953
Current liabilities	**(24,174)**	(30,057)	**(254,361)**	(1,815,647)	**(278,535)**	(1,845,704)
Non-current liabilities	**(61,705)**	(85,336)	**–**	–	**(61,705)**	(85,336)
Net assets/(liabilities)	**62,380**	57,636	**(198,524)**	(94,705)	**(136,144)**	(37,069)
Accumulated non-controlling interests	**6,238**	5,764	**(18,939)**	(9,035)	**(12,701)**	(3,271)
Transfer to statutory reserve	**(103)**	(103)	**–**	–	**(103)**	(103)
	6,135	5,661	**(18,939)**	(9,035)	**(12,804)**	(3,374)

20 DIGITAL ASSETS

	2022 HK$'000	2021 HK$'000
Digital assets:		
Held in own wallets of the Group	**1,025,730**	3,518,356
Digital assets held on exchange institutions *(Note)*	**35,613**	1,553
	1,061,343	3,519,909

Note: The digital assets held on third party exchange institutions are measured at fair value. They represent balance of digital assets attributable to the Group held in shared wallets of the third party exchanges. Prior to the year-end, the Group submitted a withdrawal request to a third party exchange amounting to approximately HK$35,175,000 (2021: nil) which was received by the Group's own wallets shortly after year end.

Among the digital asset balance, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK$903,032,000 (2021: HK$2,798,874,000) (Note 30). It also included the Group's proprietary digital assets of approximately HK$158,311,000 (2021: HK$721,035,000). The balance is measured at fair value through profit or loss (Note 2.13).

Net fair value loss of approximately HK$3,401,000 (2021: HK$11,471,000) from remeasurement of digital assets at 31 December 2022, to the extent it is not offset by remeasurement of digital asset 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).

As at 31 December 2022, there were certain digital assets with fair value of approximately HK$251,365,000 (2021: HK$523,699,000) received from and held on behalf of clients by OSL DS, a wholly owned subsidiary of the Company and a SFC licensed corporation. Those digital assets were safekept in segregated client wallets through a trust arrangement with BC Business Management Services (HK) Limited which is a wholly owned subsidiary of the Company and the associated entity of OSL DS under the Securities and Futures Ordinance. Based on the 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. The classification and measurement of such digital assets follow the group accounting policy as set out in Note 2.13

21 TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables from business park area management services	–	6,076
Less: loss allowance	–	(6,076)
Trade receivables from advertising business	–	7,495
Less: loss allowance	–	(7,383)
	–	112
Trade receivables from digital assets and blockchain platform business	**24,570**	123,071
Less: loss allowance	**(2,632)**	(1,428)
	21,938	121,643
Trade receivables	**21,938**	121,755

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.

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 generally 30 to 60 days (2021: same) after the invoice date, while prepayment from customers for provision of business park area management services are generally required.

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

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

	2022 HK$'000	2021 HK$'000
0–30 days	**15,442**	117,391
31–90 days	**416**	2,265
91–180 days	**6,080**	402
181–365 days	–	1,697
	21,938	121,755

21 TRADE RECEIVABLES *(Continued)*

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**14,887**	13,614
Provision for impairment of trade receivables in relation to advertising business		
— From discontinued operations	**–**	5,842
Provision for impairment of trade receivables in relation to digital assets and blockchain platform business *(Note 10)*		
— From continuing operations	**3,274**	2,176
Write-off of provision for impairment		
— From continuing operations	**(7,408)**	(6,930)
— From discontinued operations	**(7,383)**	–
Currency translation differences	**(738)**	185
At the end of the year	**2,632**	14,887

Impairment and risk exposure

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

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

	2022 HK$'000	2021 HK$'000
USD	**21,938**	121,643
RMB	**–**	112
	21,938	121,755

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Non-current		
Rental deposits	**17,879**	19,577
Current		
Interest receivable *(Note (a))*	**197**	851
Prepayments	**14,331**	12,895
Other receivables *(Note (b))*	**10,974**	14,445
Deposits	**2,767**	810
Rent incentive	**27,483**	25,333
Digital asset receivable *(Note (c))*	**–**	1,844
Fiat lending to counterparties *(Note (d))*	**–**	20,274
	55,752	76,452
Less: provision for impairment loss *(Note (e))*	**(2,958)**	(3,208)
Current, net	**52,794**	73,244
Total	**70,673**	92,821

Notes:

(a) As at 31 December 2022, the balance represented interest receivables arising from a time deposit, and is receivable on the maturity of the time deposit. As at 31 December 2021, the balance represented interest receivables arising from fiat lending to counterparties (Note (d)). The interest is based on the fiat lending to counterparties (Note (d)) and is receivable on the maturity date of the loans.

(b) As at 31 December 2022, the balance mainly represented VAT receivables of HK$3,329,000 paid by Mainland China's subsidiaries to offset VAT payables in the future (2021: HK$4,389,000).

(c) As at 31 December 2021, the balance represented a digital asset receivable from a counterparty, which was settled in two equal instalments before the end of April 2022. For the sensitivity analysis of price risk, please refer to Note 3.3(c).

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

Notes: (Continued)

(d) The balance represented the lending of the Group's fiat currency to counterparties in terms of USD being the loan principal. As at 31 December 2021, it included a loan to an employee, amounted to USD350,000 (equivalent to approximately HK$2,729,000). The loans were secured by collateral (as explained below) and they bore a fixed interest rate ranging from 6.8% to 10% per annum. The loan principal and interest thereon were repayable by delivery of the outstanding USD upon maturity date of the arrangements which fell within 1 year from the end of the reporting period.

During the year ended 31 December 2022, the fiat lending were fully settled by the counterparties.

In relation to the above-mentioned loan arrangements, the Group required the counterparties to deliver digital assets (BTC) to the Group as collateral at a level of 150% of loan principal in terms of fair value against the loan at inception. Additional collateral was required to be delivered to the Group at any time if the fair value of the digital asset collateral was less than or equal to a level ranging from 125% to 135% of loan principal such that collateral level would be maintained at individual initial required collateral level of the loan principal. Consequently, management believed credit risk associated with these loan receivables was low.

As at 31 December 2021, the Group received digital asset collateral with fair value of HK$77,727,000 from counterparties and an employee for the loans. The collateral was included in "Digital assets" (Note 20) as the Group was able to utilise the digital assets received for its own economic benefits, with a corresponding collateral payable due to the counterparties (Note 28(b)), both measured at fair value through profit or loss on the consolidated statement of financial position. During the year ended 31 December 2022, the Group returned the collateral to the counterparties upon their repayment of lending.

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

	2022 **HK$'000**	2021 HK$'000
At the beginning of the year	**3,208**	9,535
Written off during the year	**–**	(6,441)
Currency translation differences	**(250)**	114
At the end of the year	**2,958**	3,208

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

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

	2022 **HK$'000**	2021 HK$'000
HK$	**24,477**	25,049
USD	**4,354**	25,252
RMB	**39,073**	40,816
Others	**2,769**	1,704
	70,673	92,821

23 CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash at bank	**1,009,095**	954,286
Cash on hand	**62**	233
Total	**1,009,157**	954,519
Maximum exposure to credit risk	**1,009,095**	954,286

The cash and cash equivalents of approximately HK$56,466,000 (2021: approximately HK$43,869,000) are located in Mainland China. RMB is not a freely convertible currency and the remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Certain cash at banks earns interest at floating rates based on daily bank deposit rates. Other than the incident disclosed in Note 3.3(b), the remaining bank balances are deposited with creditworthy banks and other financial institutions with no recent history of default.

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**77,898**	91,397
USD	**865,330**	810,140
RMB	**56,466**	44,047
Others	**9,463**	8,935
	1,009,157	954,519

As at 31 December 2022, included in the cash and cash equivalents balance is a total of approximately HK$582,221,000 (2021: approximately HK$434,695,000) (Note 30) related to fiat currency due to customers.

24 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 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.

25 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	2022 HK$'000	2021 HK$'000
Movements in the investment in an associate are as follows:		
At 1 January	**19,017**	–
Additions		
— Cash consideration	**13,768**	13,609
— Contract liabilities	**10,739**	10,711
Share of net post-tax loss of an associate accounted for using the equity method	**(20,890)**	(5,434)
Share of other comprehensive (loss)/income of an associate	**(84)**	131
At 31 December	**22,550**	19,017

The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of establishment is also its principal place of business.

Name of entity	Place of business/ country of establishment	% of effective Interest As at 31 December		Nature of the relationship	Measurement method	Carrying amount As at 31 December	
		2022	2021			2022 HK$'000	2021 HK$'000
Zodia Markets Holdings Limited	United Kingdom	**24.99%**	24.99%	Associate	Equity method	**22,550**	19,017

On 2 June 2021, the Group entered into agreements with an independent third party to setting up a limited liability company incorporated in the United Kingdom, namely Zodia Markets Holdings Limited ("Zodia").

The Group is committed to subscribe for a total of 4,998 ordinary shares of Zodia, settled by way of (i) cash injection of USD3,500,000 (equivalent to approximately HK$27,300,000) in two instalments and (ii) assignment of an intellectual property to Zodia by the second subscription date as defined in the agreements. The costs for developing the intellectual property are recognised as contract liabilities.

On the same date, the Group completed the first subscription by injecting USD1,750,000 in cash (equivalent to approximately HK$13,609,000) to Zodia to subscribe for 2,499 ordinary shares, which represents 24.99% equity interest in Zodia.

On 4 July 2022, the Group completed the second subscription by injecting USD1,750,000 in cash (equivalent to approximately HK$13,768,000) to Zodia to subscribe for an additional 2,499 ordinary shares on a pro-rata basis with another shareholder. Total shareholding in Zodia remained at 24.99% as at the end of this reporting period. In March 2023, the Group has entered into an extension arrangement with Zodia on the delivery of the intellectual property from the original delivery date to 30 June 2023.

Investment in an associate is initially recognised at cost including cash consideration and contract liabilities for the obligation to transfer the intellectual property to Zodia and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss. The contract liabilities will be derecognised and revenue will be recognised when the control of the intellectual property is transferred to Zodia in a future period.

25 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD *(Continued)*

Summarised consolidated financial information for associate

Set out below are the summarised financial information for the associate that is accounted for using the equity method.

	Zodia	
	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Current		
Total current assets	**137,016**	87,231
Total current liabilities	**(19,276)**	(11,876)
Non-current		
Total non-current assets	**909**	756
Total non-current liabilities	**–**	–
Net assets	**118,649**	76,111
Reconciliation to carrying amounts		
Opening net assets	**76,111**	–
Share capital	**78**	78
Loss for the year/period	**(83,592)**	(21,744)
Other reserves	**126,052**	97,777
Closing net assets	**118,649**	76,111
Direct equity interest held	**24.99%**	24.99%
Share of net asset value held by the Group	**29,650**	19,020
Others *(Note)*	**(7,100)**	(3)
Carrying amount	**22,550**	19,017

Note:

Others represented the Group's obligation to deliver the intellectual property to Zodia as their capital contribution in the future period.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Unlisted preference shares *(Notes (a), (b))*	**50,400**	23,392
Unlisted convertible note *(Note (b))*	**–**	1,621
	50,400	25,013

All financial assets measured at fair value through profit or loss are classified as non-current assets.

Notes:

(a) Unlisted preference shares

On 17 May 2021, the Group entered into an agreement with an independent third party ("Issuer A"), in relation to a convertible note with interest rate of 2% per annum in an aggregate principal amount of USD3,000,000 (equivalent to approximately HK$23,339,000). Issuer A is an unlisted company and is principally engaged in the operation of an auction market or exchange market for digital assets, including cryptocurrencies, utility tokens, asset tokens, security tokens and similar digital instruments.

On 17 November 2021, the Group exercised the conversion right to fully convert the convertible note into 9,440 preference shares of Issuer A at the conversion price of US$317.79 per share, which represent 5.60% of shareholding in Issuer A.

The unlisted preference shares was classified as a financial asset at fair value through profit or loss and was measured at fair value subsequently with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the fair value of the unlisted preference shares was US$6,249,655 (equivalent to approximately HK$48,777,000) (2021: US$3,000,000 (equivalent to approximately HK$23,392,000)).

(b) Unlisted preference shares (2021: Unlisted convertible note)

On 22 March 2021, the Group entered into an agreement with an independent third party ("Issuer B"), in relation to a convertible note with coupon rate of 5% per annum in an aggregate principal amount of USD200,000 (equivalent to approximately HK$1,556,000) with a due date on 22 March 2022. Issuer B is an unlisted company and is principally engaged in providing access to climate-related products and services using blockchain technology. On 22 March 2022, the Group exercised the conversion right to fully convert the convertible note into 2,697 preference shares of Issuer B at the conversion price of US$77.63 per share.

The unlisted preference shares was classified as a financial asset at fair value through profit or loss and was measured at fair value subsequently with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the fair value of the unlisted preference shares was US$208,000 (equivalent to approximately HK$1,623,000) (2021: US$208,000 (equivalent to approximately HK$1,621,000)).

For the methods and assumptions used in determining the fair value of the above instruments, please refer to Note 3.5(a).

27 TRADE PAYABLES

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

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

	2022 **HK$'000**	2021 HK$'000
0–30 days	**15,255**	37,431
31–90 days	**–**	2,117
91–180 days	**–**	2,170
181–365 days	**–**	7,915
Over 365 days	**7,309**	176
	22,564	49,809

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

	2022 **HK$'000**	2021 HK$'000
USD	**14,306**	34,426
RMB	**8,258**	15,383
	22,564	49,809

28 ACCRUALS AND OTHER PAYABLES AND COLLATERAL PAYABLES

(a) Accruals and other payables

	2022 HK$'000	2021 HK$'000
Non-current		
Deposits received related to business park area management services	**10,785**	11,698
Provision for reinstatement costs	**6,116**	5,560
	16,901	17,258
Current		
Other payables and accruals *(Note (i))*	**55,322**	113,299
Interest payables related to digital assets borrowed from counterparties *(Note (ii))*	**134**	611
Interest payables related to other borrowings	**5,448**	2,899
	60,904	116,809
	77,805	134,067

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	**21,555**	24,406
USD	**6,705**	12,525
HK$	**45,977**	92,366
Others	**3,568**	4,770
	77,805	134,067

Notes:

(i) As at 31 December 2022, the balance mainly included accrued directors' fee, salaries and bonuses of HK$525,000 (2021: HK$50,759,000), accrued professional fee of HK$22,042,000 (2021: HK$12,739,000), other tax payables of HK$3,891,000 (2021: HK$1,329,000), other payables of purchase of an intangible asset of HK$1,306,000 (2021: HK$16,853,000), accrued software expenses of HK$6,979,000 (2021: HK$6,907,000) and accrued marketing expenses of HK$254,000 (2021: HK$2,611,000).

(ii) As at 31 December 2022, the balance of interest payable amounted to HK$134,000 (2021: HK$611,000) is calculated in terms of unit of stablecoins on loans from counterparties. The relevant stablecoin is asset-backed and has a market value of approximately USD1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principal and interest payable is considered to be insignificant. The interest is repayable on the maturity date of the loans.

Information about the Group's exposure to price risk of these interest payables can be found in Note 3.3(c).

28 ACCRUALS AND OTHER PAYABLES AND COLLATERAL PAYABLES *(Continued)*

(b) Collateral payables

The balances represent the digital asset collateral received as a security for the fiat lending arrangements with the counterparties in Note 22. The collateral will be returned to the counterparties upon settlement of the loans at respective maturity dates:

	2022 HK$'000	2021 HK$'000
Current	**–**	77,727

29 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:

	2022 HK$'000	2021 HK$'000
Right-of-use assets *(Note)*		
Properties	**77,442**	119,418
Lease liabilities *(Note)*		
Non-current	**64,481**	112,587
Current	**42,373**	43,493
	106,854	156,080

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 2022, there was no addition to the right-of-use assets (2021: Nil).

29 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:

	2022 HK$'000	2021 HK$'000
Other gains/(losses), net		
Gain on lease modification *(Note 8)*	**1,568**	–
Depreciation charge of right-of-use assets		
Properties *(Note 10)*	**35,728**	36,293

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1)
From continuing operations		
Interest expense on lease liabilities *(Note 9)*	**17,203**	21,625
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 10)*	**8,320**	4,623
	25,523	26,248

Notes:

(i) The total cash outflows for leases during the year ended 31 December 2022 was HK$64,557,000 (2021: HK$63,437,000).

(ii) During the year ended 31 December 2022, right-of-use assets decreased by HK$1,783,000 as a result of lease modification (2021: Nil).

30 LIABILITIES DUE TO CUSTOMERS

	2022 HK$'000	2021 HK$'000
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	**88,809**	282,554
— Others	**582,221**	434,695
— Digital asset liabilities	**903,032**	2,798,874
	1,574,062	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$251,365,000 as at 31 December 2022 (2021: HK$523,699,000), they are kept in segregated wallets and are not recognised as the Group's digital assets and hence no corresponding digital asset liabilities under these arrangements. Please refer to Note 2.13 and Note 2.16(b) for details.

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".

31 BORROWINGS

	2022 HK$'000	2021 HK$'000
Current		
Secured borrowings *(Note (a))*	**–**	64,066
Unsecured borrowings *(Note (b))*	**21,196**	21,196
Digital assets borrowed from counterparties *(Note (c))*	**11,699**	33,838
Total borrowings	**32,895**	119,100

31 BORROWINGS *(Continued)*

Notes:

(a) The balance of secured borrowings included:

As at 31 December 2021, borrowings was provided by a non-financial institution, with a principal of approximately USD8,216,000 (equivalent to approximately HK$64,066,000). These borrowings were denominated in USD, interest bearing at a fixed rate of 3% per annum, repayable in 9 months from the year end date and secured by 496 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; and 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. During the year ended 31 December 2022, the loan was repaid in full, and consequently there was no outstanding balance as at year end date.

(b) The balance of unsecured borrowings included:

As at 31 December 2022, a borrowing was provided by a non-financial institution which is controlled by Mr. Fang Bin, a former executive director of the Company, with a principal of approximately HK$21,196,000 (2021: HK$21,196,000). The borrowing was denominated in HK$, unsecured, interest bearing at 12% per annum (2021: 8% per annum), and repayable on demand (2021: repayable on demand).

(c) Digital assets borrowed from counterparties included:

As at 31 December 2022, certain digital assets borrowed from counterparties were provided by non-financial institutions, with asset-backed stablecoins being the loan principal, amounted to approximately USD1,499,000 (equivalent to approximately HK$11,699,000) (2021: USD4,340,000 (equivalent to approximately HK$33,838,000)). These borrowings were unsecured, interest bearing at a fixed rate ranging from 4.0% to 7.5% per annum (2021: 4.0% to 5.0% per annum) and repayable in 12 months (2021: 12 months) from the year end date.

The following table is prepared based on the scheduled repayment date set out in the relevant agreement:

	2022 **HK$'000**	2021 HK$'000
On demand	**21,196**	21,196
Within 1 year	**11,699**	97,904
	32,895	119,100

32 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follow:

	2022 **HK$'000**	2021 HK$'000
Deferred income tax assets	**7,409**	5,402
Deferred income tax liabilities	**(6,169)**	(7,858)

32 DEFERRED INCOME TAX *(Continued)*

The movement of deferred income tax assets during the year is as follows:

Deferred income tax assets

	Leases under IFRS 16 HK$'000	Provision of impairment for financial assets and contract assets HK$'000	Total HK$'000
At 1 January 2021	2,936	1,470	4,406
Credited to profit or loss	819	–	819
Currency translation difference	122	55	177
At 31 December 2021 and 1 January 2022	**3,877**	**1,525**	**5,402**
Credited to profit or loss	**2,492**	**–**	**2,492**
Currency translation difference	**(360)**	**(125)**	**(485)**
At 31 December 2022	**6,009**	**1,400**	**7,409**

The movement of deferred income tax liabilities during the year is as follows:

Deferred income tax liabilities

	Accumulated depreciation of property, plant and equipment HK$'000	Fair value surplus in respect of business combination HK$'000	Total HK$'000
At 1 January 2021	(2,381)	(6,602)	(8,983)
Credited to profit or loss	–	1,345	1,345
Currency translation differences	–	(220)	(220)
At 31 December 2021 and 1 January 2022	**(2,381)**	**(5,477)**	**(7,858)**
Credited to profit or loss	**–**	**1,295**	**1,295**
Currency translation differences	**–**	**394**	**394**
At 31 December 2022	**(2,381)**	**(3,788)**	**(6,169)**

32 DEFERRED INCOME TAX *(Continued)*

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 HK$1,402,497,000 (2021: HK$963,747,000) 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 HK$6,229,000 (2021: HK$61,646,000) which will be expired within 5 years.

As at 31 December 2022 and 2021, no deferred income tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in Mainland China. 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.

33 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.

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

	2022 HK$'000	2021 HK$'000
Contract assets from advertising business	**–**	4,714
Contract assets from digital assets and blockchain platform business	**3,037**	985
Less: loss allowance	**(31)**	(337)
	3,006	5,362
Assets recognised from costs to fulfill revenue contracts	**1,029**	2,375
Assets recognised from costs to fulfil an investment subscription agreement *(Note (d))*	**12,925**	5,431
Total contract assets	**16,960**	13,168
Contract liabilities	**28,621**	20,185

33 CONTRACT ASSETS AND LIABILITIES *(Continued)*

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**337**	115
— From discontinued operations		
(Reversal of provision)/provision for impairment of contract assets in relation to advertising business	**(392)**	215
— From continuing operations		
Provision for impairment of contract assets in relation to digital assets and blockchain platform business *(Note 10)*	**473**	–
Write-off of provision for impairment	**(442)**	–
Currency translation differences	**55**	7
At the end of the year	**31**	337

(a) 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.

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,622**	1,408

(b) Unsatisfied long-term SaaS contracts

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

	2022 HK$'000	2021 HK$'000
Aggregate amount of the transaction price allocated to SaaS contracts that are partially or fully unsatisfied as at 31 December	**41,429**	11,950

Management expects that the transaction price allocated to the unsatisfied performance obligations as at 31 December 2022 will be recognised as revenue when the related services are provided over the next 1 to 3 years (2021: 1 to 4 years).

33 CONTRACT ASSETS AND LIABILITIES *(Continued)*

(c) Assets recognised from costs to fulfil revenue contracts

	2022 HK$'000	2021 HK$'000
Amortisation recognised as cost of providing services during the year	**1,315**	1,377
Written-off during the year *(Note)*	**–**	219

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 years ended 31 December 2022 and 2021. Refer to Note 3.3(b)(iii) for more details.

(d) Assets recognised from costs to fulfil an investment subscription arrangement

The Group has also recognised an asset in relation to costs to fulfil an investment subscription arrangement with Zodia. This is presented within contract assets in the consolidated statement of financial position. Please refer to Note 25 for details.

During the year ended 31 December 2022, no amortisation is recognised on such contract assets (2021: same).

34 SHARE CAPITAL

	2022		2021	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each at 1 January 2021 and 31 December 2021 and 2022	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At the beginning of the year	**423,247,484**	**4,233**	336,621,033	3,366
Issuance of new shares *(Notes a and b)*	**3,679,430**	**37**	79,673,360	797
Exercise of warrant shares by a warrant holder *(Note c)*	**11,526,270**	**115**	–	–
Exercise of share options *(Note d)*	**–**	**–**	6,953,091	70
At the end of the year	**438,453,184**	**4,385**	423,247,484	4,233

34 SHARE CAPITAL *(Continued)*

Notes:

(a) On 5 January 2021, the Company allotted and issued a total of 45,000,000 ordinary shares at a subscription price of HK$15.50 per share to no less than six independent placees through a placing and top up subscription agreement with East Harvest Global Limited as vendor and Morgan Stanley & Co. International PLC as agent. Upon the issuance of the shares, HK$450,000 was credited to share capital and HK$657,549,000 was credited to share premium. On 11 June 2021, the Company placed a total of 31,952,500 ordinary shares at a price of HK$17.00 per share to one placee. Upon the issuance of the shares, HK$320,000 was credited to share capital and HK$534,410,000 was credited to share premium.

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

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 for the awarded shares granted on 27 January 2021 and 8 October 2021 respectively, pursuant to the 2018 Share Award Plan, to recognise and reward the contribution of the directors and employees providing services to the Group, as well as consultants for providing similar services as the employees to the Group. The Board applied HK$27,000 in the share premium account of the Company to issue new shares credited as fully paid to the trustee.

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

(d) During the year ended 31 December 2021, 6,953,091 share options were exercised by the employees providing services to the Group, as well as consultants for providing similar services as the employees to the Group. Consequently, HK$70,000 was credited to share capital and HK$84,365,000 was credited to share premium.

35 OTHER RESERVES

The breakdown of other reserves and the movements during the year are shown as follows:

	Share premium HK$'000	Capital surplus HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Share-based payments reserve HK$'000	Total HK$'000
At 1 January 2021	760,601	3,724	(13,168)	18,850	201,752	971,759
Currency translation difference	–	–	10,161	–	–	10,161
Total comprehensive loss	–	–	10,161	–	–	10,161
Issuance of new shares *(Note 34)*	1,191,932	–	–	–	–	1,191,932
Equity-settled share-based payments under share option scheme *(Note 41)*	–	–	–	–	50,793	50,793
Equity-settled share-based payments under share award scheme *(Note 40)*	–	–	–	–	39,219	39,219
Exercise of share options *(Note 34)*	84,365	–	–	–	(26,030)	58,335
Share awards vested *(Note 40)*	47,004	–	–	–	(47,004)	–
Equity-settled share-based payments for a warrant *(Note 10(a))*	–	–	–	–	49,826	49,826
Transfer of statutory reserve upon deregistration of a subsidiary	–	–	–	(450)	–	(450)
At 31 December 2021	2,083,902	3,724	(3,007)	18,400	268,556	2,371,575

35 OTHER RESERVES *(Continued)*

	Share premium HK$'000	Capital surplus HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Share-based payments reserve HK$'000	Total HK$'000
At 1 January 2022	**2,083,902**	**3,724**	**(3,007)**	**18,400**	**268,556**	**2,371,575**
Currency translation difference	–	–	(7,632)	–	–	(7,632)
Total comprehensive loss	–	–	(7,632)	–	–	(7,632)
Issuance of new shares *(Note 34)*	(37)	–	–	–	–	(37)
Exercise of warrant shares by a warrant holder *(Note 34)*	153,184	–	–	–	(153,299)	(115)
Equity-settled share-based payments under share option scheme *(Note 41)*	–	–	–	–	12,393	12,393
Equity-settled share-based payments under share award scheme *(Note 40)*	–	–	–	–	13,863	13,863
Share awards vested *(Note 40)*	15,902	–	–	–	(15,902)	–
Transfer of statutory reserve upon deregistration of a subsidiary	–	–	–	(1,181)	–	(1,181)
At 31 December 2022	**2,252,951**	**3,724**	**(10,639)**	**17,219**	**125,611**	**2,388,866**

36 OPERATING LEASE ARRANGEMENTS — AS LESSOR

As at 31 December 2022 and 2021, 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:

	2022 HK$'000	2021 HK$'000
Minimum lease payments under non-cancellable operating leases of properties not recognised in the consolidated financial statements are receivable as follows:		
Within one year	**48,887**	44,286
Later than one year but no later than five years	**105,219**	162,812
	154,106	207,098

37 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	
	2022 HK$'000	2021 HK$'000
Interest expenses accrued on borrowings from related companies of a director *(Note (ii))*	**–**	74
Interest expenses accrued on borrowings from directors and a related party *(Note (iii))*	**–**	188
Interest expenses accrued on digital assets borrowed from a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (iv))*	**–**	445
Income from digital assets trading with Mr. Chapman David James and his close family member	**4**	26
Income from digital assets trading with Mr. Madden Hugh Douglas	**7**	34
Income from digital assets trading with Mr. Lo Ken Bon and his close family member	**119**	393
Income from digital assets trading with Mr. Ko Chun Shun, Johnson's close family members	**4**	24
Income from digital assets trading with a related company of Mr. Ko Chun Shun, Johnson *(Note (ii))*	**258**	723
Income from digital assets trading with a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (iv))*	**82**	–
	474	1,907

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, governed by the DATA, OSL DS Client T&C and other relevant agreements.

(ii) The executive director of the Company, Mr. Ko Chun Shun Johnson, is also the sole owner of the related companies.

(iii) 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 also the lenders.

(iv) The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the related company.

37 RELATED PARTY TRANSACTIONS *(Continued)*

(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:

	2022 HK$'000	2021 HK$'000
Fiat currency and digital asset liabilities		
Amounts due to Mr. Chapman David James and his close family member *(Note (i))*	**83,551**	240,214
Amount due to Mr. Madden Hugh Douglas *(Note (i))*	**144**	4,158
Amounts due to Mr. Lo Ken Bon and his close family member *(Note (i))*	**2,829**	43,452
Amounts due to close family members of Mr. Ko Chun Shun, Johnson *(Note (i))*	**6,099**	14,166
Amount due to Mr. Chia Kee Loong, Lawrence *(Note (i))*	**183**	–
Amount due to a related company of Mr. Ko Chun Shun, Johnson *(Notes (i) and (ii))*	**7,068**	8,556
Amount due to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Notes (i) and (iii))*	**125,797**	301,091
Amount due to a related company of Mr. Chapman David James *(Notes (i) and (iv))*	**146**	293
Amount due to a related company of Mr. Madden Hugh Douglas *(Notes (i) and (v))*	**36,342**	117,997
	262,159	729,927

	2022 HK$'000	2021 HK$'000
Interest payable		
Amount due to a related company of Mr. Ko Chun Shun, Johnson *(Note (vi))*	**147**	147
	147	147

37 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

Notes:

(i) The above executive directors/independent non-executive directors/close members of the executive directors/related companies are regarded as counterparties which the Group has a contractual relationship with them governed by the DATA and/or the OSL DS Client T&C in the ordinary course of the Group's digital assets trading business.

Based on the respective rights and obligations of the Group and its counterparties under the DATA, fiat and digital assets held by the Group in the customers' accounts are recognised as the Group's assets with a corresponding liability due to the customers.

Further, based on the respective rights and obligations of the Group and its counterparties under the OSL DS Client T&C, fiat held by the Group in the customers' accounts are recognised as the Group's assets with a corresponding liability due to the customers.

Refer to Note 30 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 OSL DS Client T&C. The executive director of the Company, Mr. Ko Chun Shun Johnson, is also the sole owner of the related company.

(iii) 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.

(iv) The related company is a counterparty of the Group's digital assets trading business governed by the DATA. The executive director of the Company, Mr. Chapman David James, is also the director of the related company.

(v) The 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.

(vi) The borrowing is unsecured, 6% per annum interest bearing and due in accordance with the terms of the underlying agreement.

(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:

	2022 **HK$'000**	2021 HK$'000
Salaries, bonuses, allowances and benefits in kinds	**20,275**	47,410
Pension scheme contributions	**108**	299
Share-based compensation	**11,018**	32,081
	31,401	79,790

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to cash generated from/(used in) operations:

	2022 HK$'000	2021 HK$'000
(Loss)/profit before income tax		
Continuing operations	**(548,852)**	(359,132)
Discontinued operations *(Note 14)*	**141**	(8,676)
Loss before income tax, from continuing and discontinued operations	**(548,711)**	(367,808)
Adjustments for:		
Amortisation of intangible assets *(Note 18)*	**14,759**	14,749
Depreciation of property, plant and equipment *(Note 17)*	**45,976**	47,500
Total finance income *(Notes 9 and 14)*	**(2,208)**	(6,856)
Total finance costs *(Note 9)*	**22,385**	34,409
Loss/(gain) on disposals of property, plant and equipment	**1,888**	(337)
Gain on lease modification *(Note 8)*	**(1,568)**	–
Recognition of SaaS income from initial set-up fee	**(3,187)**	–
Fair value changes of financial assets at fair value through profit or loss *(Note 8)*	**(25,522)**	(118)
Net fair value loss on digital assets *(Note 7)*	**3,401**	11,471
Provision for impairment of contract assets, net *(Note 33)*	**81**	215
Provision for impairment of trade receivables, net *(Note 21)*	**3,274**	8,018
Share-based payment expenses	**26,256**	139,838
Share of net post-tax loss of an associate accounted for using the equity method *(Note 25)*	**20,890**	5,434
Operating losses before working capital changes	**(442,286)**	(113,485)
Change in trade receivables	**96,377**	(105,928)
Change in prepayments, deposits and other receivables	**(2,185)**	(2,032)
Change in digital assets	**239,248**	4,487
Change in contract assets	**(4,110)**	(6,658)
Change in contract liabilities	**853**	2,061
Change in trade payables	**(26,233)**	(2,235)
Change in accruals, other payables and deposits received	**(56,380)**	46,512
Change in cash held on behalf of licensed entity customers	**–**	(282,560)
Change in liabilities due to customers	**370,951**	49,264
Cash generated from/(used in) operations	**176,235**	(410,574)

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (Note 31) HK$'000	Lease liabilities (Note 29) HK$'000	Total HK$'000
At 1 January 2021	566,317	189,915	756,232
Cash flows:			
— outflow from financing activities	(132,378)	(37,189)	(169,567)
Imputed interest expense	5,187	–	5,187
Addition of digital assets borrowed from counterparties	64,448	–	64,448
Repayment of digital assets borrowed from counterparties	(392,342)	–	(392,342)
Currency translation differences	7,868	3,354	11,222
At 31 December 2021	119,100	156,080	275,180

	Borrowings (Note 31) HK$'000	**Lease liabilities (Note 29) HK$'000**	**Total HK$'000**
At 1 January 2022	**119,100**	**156,080**	**275,180**
Cash flows:			
— outflow from financing activities	**(64,351)**	**(39,034)**	**(103,385)**
Addition of digital assets borrowed from counterparties	**23,508**	**–**	**23,508**
Repayment of digital assets borrowed from counterparties	**(45,728)**	**–**	**(45,728)**
Lease modification	**–**	**(2,718)**	**(2,718)**
Currency translation differences	**366**	**(7,474)**	**(7,108)**
At 31 December 2022	**32,895**	**106,854**	**139,749**

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) In the consolidated statement of cash flows, proceeds from the disposal of property, plant and equipment comprise:

	2022 **HK$'000**	2021 HK$'000
Net book value *(Note 17)*	**10,884**	137
(Loss)/gain on disposal of property, plant and equipment — From discontinued operations	**(1,888)**	337
Proceeds from the disposal of property, plant and equipment	**8,996**	474

(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, the non-cash working capital changes of digital assets and liabilities as follows:

	2022 **HK$'000**	2021 HK$'000
Digital assets held on customers' accounts	**(2,007,528)**	(752,667)
Digital assets due from counterparties	**–**	(38,441)
Collateral payable to counterparties	**77,727**	101,832
Digital assets borrowed from counterparties	**22,227**	169,909
	(1,907,574)	(519,367)

(ii) As at 31 December 2022, interest expense of HK$5,581,000 (2021: HK$3,510,000) 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.

39 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:

	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost		
Trade receivables *(Note 21)*	**21,938**	121,755
Deposits and other receivables (excluding other tax receivables and digital asset receivables) *(Note 22)*	**53,013**	73,693
Cash held on behalf of licensed entity customers *(Note 24)*	**88,809**	282,560
Cash and cash equivalents *(Note 23)*	**1,009,157**	954,519
	1,172,917	1,432,527
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss *(Note 26)*	**50,400**	25,013
Digital assets (those met definition of financial instruments)	**320,672**	619,850
	371,072	644,863
Financial liabilities measured at amortised cost		
Trade payables *(Note 27)*	**22,564**	49,809
Accruals, other payables and deposits received (excluding employee benefits payables, other tax payables, and non-financial interest payable) *(Note 28)*	**67,139**	81,368
Lease liabilities *(Note 29)*	**106,854**	156,080
Borrowings (excluding digital assets borrowed from counterparties that do not meet definition of financial instruments) *(Note 31)*	**21,196**	85,262
	217,753	372,519
Financial liabilities at fair value through profit or loss		
Liabilities due to customers *(Note 30)*	**1,574,062**	3,516,123

40 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 aggregate number of new shares granted by the Group ("Awarded shares") currently permitted to be awarded under the share award scheme is limited to 5% of the issued share capital of the Company to be refreshed automatically from time to time.

Under the share award scheme, the employees for providing services to the Group as well as consultants for providing similar services as if they were employees 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.

During the year ended 31 December 2022, 3,679,430 (2021: 2,720,860) new Awarded shares were allotted and issued to the Trustee. Out of 3,889,430 Awarded shares, 801,250 Awarded shares were vested on 4 September 2022 (2021: Out of 2,720,860 Awarded shares, 364,666 and 382,750 Awarded shares were vested on 7 April 2021 and 4 September 2021 respectively).

40 SHARE AWARD SCHEME *(Continued)*

Award type	Outstanding at 1 January 2021	Issued during the year	Forfeited during the year	Regrant during the year	Vested during the year	Outstanding at 31 December 2021
Share award grant	6,155,446	2,720,860	(592,982)	426,140	(5,221,761)	3,487,703

Award type	**Outstanding at 1 January 2022**	**Issued during the year**	**Forfeited during the year**	**Regrant during the year**	**Vested during the year**	**Outstanding at 31 December 2022**
Share award grant	**3,487,703**	**3,679,430**	**(1,558,693)**	**220,000**	**(1,859,621)**	**3,968,819**

The fair value of the share awards was calculated based on the market price of the Group's shares at the respective grant date. The Group recognised an expense of approximately HK$13,863,000 (2021: HK$39,219,000) for the year ended 31 December 2022 in relation to share awards granted by the Company.

During the year ended 31 December 2022, the vesting condition of 1,859,621 (2021: 5,221,761) Awarded shares was satisfied, and HK$15,902,000 (2021: HK$47,004,000) was transferred from share-based payments reserve to share premium in the consolidated statement of changes in equity.

41 SHARE OPTION SCHEME

On 10 April 2012, the Group has adopted the share option scheme (the "2012 Share Option Scheme"). The 2012 Share Option 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 28 May 2021, the Company terminated the 2012 Share Option Scheme and adopted the new share option scheme ("2021 Share Option Scheme"). Upon termination of the 2012 Share Option Scheme, no further share options may be granted thereunder. In respect of all share options which remained exercisable on such date, the provisions of the 2012 Share Option Scheme remained in full force and effect.

41 SHARE OPTION SCHEME *(Continued)*

On 22 August 2018, 10 December 2018, 18 January 2019, 15 January 2020, 12 June 2020, 13 August 2020, 27 January 2021, 8 October 2021 and 22 July 2022, 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"), 1,838,500 share options (the "2020 Share Option 3") and 3,500,000 share options (the "2021 Share Option 1") respectively under the 2012 Share Option Scheme, and 1,500,000 share options (the "2021 Share Option 2") and 17,730,000 share options (the "2022 Share Option 1") under the 2021 Share Option Scheme, to certain directors and eligible employees of the Group pursuant to the Scheme. The details of these share options are summarised as follows:

	% of the total share options	2018 Share Option 1		2018 Share Option 2		2019 Share Option		2020 Share Option 1	
		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	29.26%	12 June 2020 to 22 August 2021	22 August 2021 to 23 August 2025
Tranche 2	28.95%	12 June 2020 to 22 August 2022	22 August 2022 to 23 August 2025
Tranche 3	38.50%	12 June 2020 to 22 August 2023	22 August 2023 to 23 August 2025
Tranche 4	3.29%	12 June 2020 to 22 August 2025	22 August 2025 to 23 August 2026

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. During the year ended 31 December 2021, the Group modified the terms, conditions and revised the number of share options to be vested in respective vesting date.

	2020 Share Option 3		
	% of the total share options	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

41 SHARE OPTION SCHEME *(Continued)*

	% of the total share options	2021 Share Option 1		2021 Share Option 2	
		Vesting period	Exercise period	Vesting period	Exercise period
Tranche 1	One-fourth	27 January 2021 to 22 August 2021	22 August 2021 to 22 August 2026	8 October 2021 to 22 August 2022	22 August 2022 to 22 August 2027
Tranche 2	One-fourth	27 January 2021 to 22 August 2022	22 August 2022 to 22 August 2026	8 October 2021 to 22 August 2023	22 August 2023 to 22 August 2027
Tranche 3	One-fourth	27 January 2021 to 22 August 2023	22 August 2023 to 22 August 2026	8 October 2021 to 22 August 2024	22 August 2024 to 22 August 2027
Tranche 4	One-fourth	27 January 2021 to 22 August 2024	22 August 2024 to 22 August 2026	8 October 2021 to 22 August 2025	22 August 2025 to 22 August 2027

		2022 Share Option 1	
	% of the total share options	Vesting period	Exercise period
Tranche 1	8.64%	22 July 2022 to 22 August 2022	22 August 2022 to 22 August 2027
Tranche 2	8.64%	22 July 2022 to 22 August 2023	22 August 2023 to 22 August 2027
Tranche 3	8.64%	22 July 2022 to 22 August 2024	22 August 2024 to 22 August 2027
Tranche 4	8.64%	22 July 2022 to 22 August 2025	22 August 2025 to 22 August 2027
Tranche 5	4.09%	22 July 2022 to 22 August 2023	22 August 2023 to 22 August 2028
Tranche 6	4.09%	22 July 2022 to 22 August 2024	22 August 2024 to 22 August 2028
Tranche 7	4.09%	22 July 2022 to 22 August 2025	22 August 2025 to 22 August 2028
Tranche 8	4.09%	22 July 2022 to 22 August 2026	22 August 2026 to 22 August 2028
Tranche 9	4.09%	22 July 2022 to 22 August 2024	22 August 2024 to 22 August 2029
Tranche 10	4.09%	22 July 2022 to 22 August 2025	22 August 2025 to 22 August 2029
Tranche 11	4.09%	22 July 2022 to 22 August 2026	22 August 2026 to 22 August 2029
Tranche 12	4.09%	22 July 2022 to 22 August 2027	22 August 2027 to 22 August 2029
Tranche 13	4.09%	22 July 2022 to 22 August 2023	22 August 2023 to 22 August 2028
Tranche 14	4.09%	22 July 2022 to 22 August 2024	22 August 2024 to 22 August 2028
Tranche 15	4.09%	22 July 2022 to 22 August 2025	22 August 2025 to 22 August 2028

41 SHARE OPTION SCHEME *(Continued)*

	2022 Share Option 1		
	% of the total share options	Vesting period	Exercise period
Tranche 16	4.09%	22 July 2022 to 22 August 2026	22 August 2026 to 22 August 2028
Tranche 17	4.09%	22 July 2022 to 22 August 2024	22 August 2024 to 22 August 2029
Tranche 18	4.09%	22 July 2022 to 22 August 2025	22 August 2025 to 22 August 2029
Tranche 19	4.09%	22 July 2022 to 22 August 2026	22 August 2026 to 22 August 2029
Tranche 20	4.09%	22 July 2022 to 22 August 2027	22 August 2027to 22 August 2029

Grant date	22 August 2018	10 December 2018	18 January 2019	15 January 2020	12 June 2020*	13 August 2020	27 January 2021	8 October 2021	22 July 2022
Fair value on grant date (HK$)									
Tranche 1	3.53	3.04	2.88	2.33	2.83 to 2.84	3.34	4.94	5.57	0.78
Tranche 2	3.77	3.26	3.09	2.59	3.03 to 3.04	3.66	5.33	5.94	0.81
Tranche 3	–	–	–	–	3.21 to 3.34	3.94	5.68	6.28	0.88
Tranche 4	–	–	–	–	13.20	4.21	6.01	6.59	1.02
Tranche 5	–	–	–	–	–	4.45	–	–	0.00
Tranche 6–8	–	–	–	–	–	–	–	–	0.00
Tranche 9–12	–	–	–	–	–	–	–	–	0.01
Tranche 13	–	–	–	–	–	–	–	–	0.88
Tranche 14	–	–	–	–	–	–	–	–	1.02
Tranche 15	–	–	–	–	–	–	–	–	1.18
Tranche 16	–	–	–	–	–	–	–	–	1.30
Tranche 17	–	–	–	–	–	–	–	–	1.18
Tranche 18	–	–	–	–	–	–	–	–	1.30
Tranche 19	–	–	–	–	–	–	–	–	1.42
Tranche 20	–	–	–	–	–	–	–	–	1.52

* The fair value has taken into consideration of the impact of modification.

41 SHARE OPTION SCHEME *(Continued)*

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, 2020 Share Option 3, 2021 Share Option 1, 2021 Share Option 2 and 2022 Share Option 1:

	2018 Share Option 1	2018 Share Option 2	2019 Share Option	2020 Share Option 1	2020 Share Option 2*	2020 Share Option 3	2021 Share Option 1	2021 Share Option 2	2022 Share Option 1
Share price at the date of grant (HK$)	8.75	7.80	7.50	7.45	7.99	10.56	13.80	12.70	3.67
Exercise price (HK$)	8.88	7.84	7.53	7.45	7.99	10.99	14.39	12.70	10.00
Expected volatility	54.0%	54.0%	54.0%	53.7%	50.9%–55.0%	53.5%	54.96%	62.70%	66.30%–74.10%
Risk-free interest rate (%)	2.03%	2.03%	2.03%	1.34%–1.42%	0.13%–0.38%	0.07%–0.14%	0.16%–0.30%	0.34%–0.65%	2.50%–2.61%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%

* The expected volatility and risk-free interest rate have taken into consideration of the impact of modification.

It should be noted that the value of options varies with different variables of certain subjective assumptions, any change in variables so adopted may materially affect the fair value estimate.

The following tables disclose movements of the Company's share options held by employees, consultants for providing similar services as if they were employees and directors during the years ended 31 December 2022 and 2021:

Option type	Outstanding at 1 January 2021	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
2018 Share Option 1	14,559,446	–	(3,613,333)	–	10,946,113
2018 Share Option 2	166,666	–	(166,666)	–	–
2019 Share Option	1,908,444	–	(1,157,259)	(36,853)	714,332
2020 Share Option 1	1,545,000	–	(1,245,000)	–	300,000
2020 Share Option 2	21,300,000	–	(483,333)	(200,000)	20,616,667
2020 Share Option 3	1,838,500	–	(287,500)	–	1,551,000
2021 Share Option 1	–	3,500,000	–	(140,000)	3,360,000
2021 Share Option 2	–	1,500,000	–	–	1,500,000
Total	41,318,056	5,000,000	(6,953,091)	(376,853)	38,988,112

41 SHARE OPTION SCHEME *(Continued)*

Option type	Outstanding at 1 January 2022	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2022
2018 Share Option 1	**10,946,113**	**–**	**–**	**(394,576)**	**10,551,537**
2019 Share Option	**714,332**	**–**	**–**	**(40,332)**	**674,000**
2020 Share Option 1	**300,000**	**–**	**–**	**–**	**300,000**
2020 Share Option 2	**20,616,667**	**–**	**–**	**(3,076,167)**	**17,540,500**
2020 Share Option 3	**1,551,000**	**–**	**–**	**–**	**1,551,000**
2021 Share Option 1	**3,360,000**	**–**	**–**	**(1,265,000)**	**2,095,000**
2021 Share Option 2	**1,500,000**	**–**	**–**	**(1,200,000)**	**300,000**
2022 Share Option 1	**–**	**17,730,000**	**–**	**(1,600,000)**	**16,130,000**
Total	**38,988,112**	**17,730,000**	**–**	**(7,576,075)**	**49,142,037**

The Group recognised an expense of approximately HK$12,393,000 (2021: HK$50,793,000) for the year ended 31 December 2022 in relation to share options granted by the Company.

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Assets			
Non-current asset			
Investments in subsidiaries		**1,233,636**	1,994,755
Current assets			
Prepayments and other receivables		**3,786**	3,601
Amounts due from subsidiaries		**54,656**	34,170
Cash and cash equivalents		**5,779**	56,531
Total current assets		**64,221**	94,302
Total assets		**1,297,857**	2,089,057
Liabilities			
Current liabilities			
Other payables and accruals		**22,945**	27,128
Amounts due to subsidiaries		**154,817**	167,920
Borrowings		**21,195**	21,196
Total liabilities		**198,957**	216,244
Equity attributable to the owners of the Company			
Share capital		**4,385**	4,233
Other reserves	*42(b)*	**2,378,562**	2,352,458
Accumulated losses	*42(b)*	**(1,284,047)**	(483,878)
Total equity		**1,098,900**	1,872,813

42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

	Share premium (Note i) HK$'000	Share-based payments reserve (Note ii) HK$'000	Accumulated losses (Note iii) HK$'000
At 1 January 2021	760,601	201,752	(359,558)
Loss for the year	–	–	(124,320)
Total comprehensive loss	–	–	(124,320)
Issuance of new shares	1,191,932	–	–
Equity-settled share-based payment under share option scheme	–	50,793	–
Equity-settled share-based payments under share award scheme	–	39,219	–
Share awards vested	47,004	(47,004)	–
Equity-settled share-based payments for a warrant	–	49,826	–
Exercise of share options	84,365	(26,030)	–
At 31 December 2021	2,083,902	268,556	(483,878)

	Share premium (Note i) HK$'000	**Share-based payments reserve (Note ii) HK$'000**	**Accumulated losses (Note iii) HK$'000**
At 1 January 2022	**2,083,902**	**268,556**	**(483,878)**
Loss for the year	**–**	**–**	**(800,169)**
Total comprehensive loss	**–**	**–**	**(800,169)**
Equity-settled share-based payment under share option scheme	**–**	**12,393**	**–**
Equity-settled share-based payments under share award scheme	**–**	**13,863**	**–**
Share awards vested	**15,902**	**(15,902)**	**–**
Issuance of new shares	**(37)**	**–**	**–**
Exercise of warrant shares by a warrant holder	**153,184**	**(153,299)**	**–**
At 31 December 2022	**2,252,951**	**125,611**	**(1,284,047)**

42 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) It represents the reserve for the warrants, share options granted and the shares allotted under the share award scheme.

(iii) It represents cumulative net gains and losses recognised in profit or loss.

43 SUBSEQUENT EVENTS

On 25 October 2022, the Group announced that two wholly owned subsidiaries of the Group, SumZone Marketing and SumZone Advertising, would cease to operate. These subsidiaries were subsequently deregistered in accordance with the applicable laws and regulations in the PRC on 21 February 2023 and 16 January 2023 respectively. They were principally engaged in the provision of traditional advertising services, public relations services and event marketing services in Mainland China. The deregistration does not have significant financial impact to the consolidated financial statements for the year ended 31 December 2022.

Save as disclosed above and elsewhere in the consolidated financial statements, there are no other events subsequent to 31 December 2022 for which IFRSs require adjustment or disclosure in these consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2022 HK$'000	2021 HK$'000 (Restated) (Note 1.1 to the consolidated financial statements)	2020 HK$'000 (Restated) (Note)	2019 HK$'000 (Restated) (Note)	2018 HK$'000 (Restated) (Note)
Revenue	**44,365**	46,663	73,580	105,638	156,655
Income from digital assets and blockchain platform business	**71,480**	277,675	170,157	81,350	9,832
Loss before tax from continuing operations	**(548,852)**	(359,132)	(291,558)	(280,052)	(178,910)
Income tax (expense)/credit	**(1,257)**	(1,455)	(2,036)	1,791	(5,911)
Loss for the year from continuing operations	**(550,109)**	(360,587)	(293,594)	(278,261)	(184,821)
Profit/(loss) for the year from discontinued operations	**141**	(8,656)	2,389	(51)	260
Loss for the year	**(549,968)**	(369,243)	(291,205)	(278,312)	(184,561)
Exchange differences on translating foreign operations	**(8,132)**	10,387	13,430	(5,165)	(2,792)
Total comprehensive loss for the year	**(558,100)**	(358,856)	(277,775)	(283,477)	(187,353)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(541,038)**	(375,675)	(278,745)	(276,561)	(185,176)
Non-controlling interests	**(8,930)**	6,432	(12,460)	(1,751)	615
	(549,968)	(369,243)	(291,205)	(278,312)	(184,561)
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company	**(548,670)**	(365,514)	(265,875)	(281,599)	(187,745)
Non-controlling interests	**(9,430)**	6,658	(11,900)	(1,878)	392
	(558,100)	(358,856)	(277,775)	(283,477)	(187,353)

FIVE YEAR FINANCIAL SUMMARY

SUMMARY OF ASSETS AND LIABILITIES

	2022 HK$'000	2021 HK$'000	2020 HK$'000 (Restated) (Note)	2019 HK$'000 (Restated) (Note)	2018 HK$'000 (Restated) (Note)
Total non-current assets	**263,298**	313,604	264,291	446,633	356,140
Total current assets	**2,251,001**	4,965,155	3,775,487	833,909	784,896
Total current liabilities	**1,767,449**	3,949,913	3,622,583	816,219	809,989
Net current assets/(liabilities)	**483,552**	1,015,242	152,904	17,690	(25,093)
Non-current liabilities	**87,551**	137,703	256,808	538,475	291,638
Net assets/(liabilities)	**659,299**	1,191,143	160,387	(74,152)	39,409
Capital and reserves					
Total equity attributable to owners of the Company	**672,103**	1,194,517	169,059	(77,380)	34,303
Non-controlling interests	**(12,804)**	(3,374)	(8,672)	3,228	5,106
Total equity/(deficit)	**659,299**	1,191,143	160,387	(74,152)	39,409

Note:

The selected items of assets and liabilities of the Group as at 31 December 2018, 2019 and 2020 are translated into the current presentation currency of the Group of HK$ using exchange rate prevailing at the end of the respective years. The selected items of income and expenses for the years ended 31 December 2018, 2019 and 2020 are translated at the average exchange rates for the respective years.