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## **BC TECHNOLOGY GROUP LIMITED**

### **BC 科技集團有限公司**

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

**(Stock Code: 863)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **FINANCIAL HIGHLIGHTS**

- The Group's IFRS income from digital assets and blockchain platform business was HK\$105.2 million, up HK\$99.6 million on year-over-year ("YoY") from HK\$5.6 million
- Administrative and other operating expenses was HK\$169.9 million, which decreased by HK\$163.6 million YoY from HK\$333.5 million
- Loss from continuing operations was significantly narrowed to HK\$94.7 million YoY from HK\$312.1 million

The board (the “**Board**”) of directors (the “**Directors**”) of BC Technology Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Period**” or “**1H2023**”), together with the comparative figures for the corresponding period in 2022 (“**1H2022**”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

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

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>
			(Restated)
			(Note 1.1)
<b>Continuing operations</b>			
Income from principal activities:			
— Income from digital assets and blockchain platform business	5	<b>105,217</b>	5,637
— Rental income from business park area management services		<b>21,174</b>	22,661
		<b>126,391</b>	28,298
Cost of revenue		<b>(10,530)</b>	(12,161)
Other income		<b>163</b>	355
Other gains, net		<b>1,582</b>	49,425
Selling expenses		<b>(24,544)</b>	(21,812)
Administrative and other operating expenses		<b>(169,868)</b>	(333,464)
Provision for impairment losses on financial assets, net		<b>(1,215)</b>	(763)
<b>Operating loss</b>		<b>(78,021)</b>	(290,122)
Finance income		<b>2,472</b>	681
Finance costs		<b>(7,308)</b>	(11,302)
Finance costs, net		<b>(4,836)</b>	(10,621)
Share of net post-tax loss of an associate accounted for using the equity method		<b>(9,544)</b>	(9,655)
<b>Loss before income tax</b>		<b>(92,401)</b>	(310,398)
Income tax expense	6	<b>(2,341)</b>	(1,661)
<b>Loss from continuing operations</b>		<b>(94,742)</b>	(312,059)

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
<i>Notes</i>	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
		(Restated)
		(Note 1.1)
<b>Loss from continuing operations</b>	<b>(94,742)</b>	(312,059)
<b>Discontinued operations</b>		
Loss from discontinued operations	—	(3,430)
<b>Loss for the period</b>	<b>(94,742)</b>	(315,489)
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences on translation of operations with a functional currency different from the Company's presentation currency	(3,504)	1,455
<b>Total comprehensive loss for the period</b>	<b>(98,246)</b>	(314,034)
<b>Loss for the period attributable to:</b>		
Owners of the Company		
— Loss from continuing operations	(94,952)	(303,133)
— Loss from discontinued operations	—	(3,430)
	<b>(94,952)</b>	(306,563)
Non-controlling interests		
— Profit/(loss) from continuing operations	210	(8,926)
	<b>(94,742)</b>	(315,489)

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

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>HK\$'000</b>	<b>HK\$'000</b>
			(Restated)
			(Note 1.1)
<b>Loss per share for loss from continuing operations attributable to the owners of the Company</b>			
Basic ( <i>HK\$ per share</i> )	8	<b>(0.22)</b>	(0.72)
Diluted ( <i>HK\$ per share</i> )	8	<b>(0.22)</b>	(0.72)
		<u>          </u>	<u>          </u>
<b>Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company</b>			
Basic ( <i>HK\$ per share</i> )	8	<b>(0.22)</b>	(0.73)
Diluted ( <i>HK\$ per share</i> )	8	<b>(0.22)</b>	(0.73)
		<u>          </u>	<u>          </u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company			
— Loss from continuing operations		<b>(98,181)</b>	(301,271)
— Loss from discontinued operations		<u>          </u>	<u>          </u>
		<b>(98,181)</b>	(304,701)
Non-controlling interests			
— Loss from continuing operations		<u>          </u>	<u>          </u>
		<b>(65)</b>	(9,333)
		<u>          </u>	<u>          </u>
		<b>(98,246)</b>	(314,034)
		<u>          </u>	<u>          </u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2023</b>	2022
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>67,906</b>	92,266
		<b>64,415</b>	72,794
		<b>11,672</b>	17,879
		<b>13,162</b>	22,550
		<b>50,649</b>	50,400
		<b>6,379</b>	7,409
		<u>214,183</u>	<u>263,298</u>
		<b>214,183</b>	263,298
<b>Current assets</b>			
	9	<b>1,228,726</b>	1,061,343
		<b>19,457</b>	16,960
	10	<b>40,566</b>	21,938
		<b>51,567</b>	52,794
	11	<b>147,575</b>	88,809
		<b>470,936</b>	1,009,157
		<u>1,958,827</u>	<u>2,251,001</u>
		<b>1,958,827</b>	2,251,001
		<b>2,173,010</b>	<b>2,514,299</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
		<b>13,478</b>	16,901
		<b>35,157</b>	64,481
		<b>5,386</b>	6,169
		<u>54,021</u>	<u>87,551</u>
		<b>54,021</b>	87,551

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

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>3,946</b>	22,564
Contract liabilities		<b>27,112</b>	28,621
Accruals and other payables		<b>48,268</b>	60,904
Liabilities due to customers	<i>13</i>	<b>1,408,615</b>	1,574,062
Lease liabilities		<b>46,728</b>	42,373
Borrowings		<b>21,196</b>	32,895
Current income tax liabilities		<b>5,625</b>	6,030
		<u><b>1,561,490</b></u>	<u>1,767,449</u>
<b>Total current liabilities</b>		<u><b>1,561,490</b></u>	<u>1,767,449</u>
		<u><b>1,615,511</b></u>	<u>1,855,000</u>
<b>Total liabilities</b>		<u><b>1,615,511</b></u>	<u>1,855,000</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	<b>4,385</b>	4,385
Other reserves		<b>2,380,212</b>	2,388,866
Accumulated losses		<b>(1,814,229)</b>	(1,721,148)
		<u><b>570,368</b></u>	672,103
<b>Non-controlling interests</b>		<u><b>(12,869)</b></u>	<u>(12,804)</u>
<b>Total equity</b>		<u><b>557,499</b></u>	<u>659,299</u>

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. During the Period, the Group was principally engaged in the digital assets and blockchain platform business in Hong Kong and Singapore, and the provision for 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 office of business is located at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

In the opinion of the Directors of the Company, the ultimate holding company of the Company is Bell Haven Limited, which was incorporated in the British Virgin Islands.

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

### 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) and Shanghai SumZone Advertising Co., Ltd. (上海三眾廣告有限公司), which were engaged in provision of traditional advertising services, public relation services and event marketing services in Mainland China, would cease to operate and would be deregistered subsequently. The Group ceased the operations of the traditional advertising segment during the year ended 31 December 2022, 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 as discontinued operations. Accordingly, certain comparative figures related to the discontinued operations have been restated in the unaudited condensed consolidated interim 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 period ended 30 June 2022 were presented as a profit or loss for discontinued operations in the Group’s unaudited condensed consolidated statement of profit or loss.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”).

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

The unaudited condensed consolidated interim financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2022. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Annual Financial Statements**”), which have been prepared in accordance with the IFRSs. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements of the Group for the period are consistent with those applied in the 2022 Annual Financial Statements except for the adoption of amended standards and framework and changes in accounting policies as set out below.

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

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

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

The adoption of amendments to standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.



**(b) New amendments to standards not yet adopted by the Group**

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

		<b>Effective for accounting periods beginning on or after</b>
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.

**3 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 unaudited condensed consolidated interim financial statements.

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 Software-as-a-Service ("SaaS") and others related businesses.
- Business park area management — providing operation and management services in business park area in Mainland China.

	Digital assets and blockchain platform business <i>HK\$'000</i>	Business park area management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Unaudited for the six months ended 30 June 2023</b>				
<b>Results</b>				
<b>Continuing Operations</b>				
<b>Income from other sources:</b>				
Trading of digital assets and net fair value gain on digital assets ( <i>Note 5</i> )	81,202	–	–	81,202
Rental income from business park area management services	–	21,174	–	21,174
<b>Revenue from contracts with customers:</b>				
Service fee income from SaaS ( <i>Note 5</i> )	15,046	–	–	15,046
Trading fee from automated trading service ( <i>Note 5</i> )	5,597	–	–	5,597
Income from custodian services and other revenues ( <i>Note 5</i> )	3,372	–	–	3,372
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(Loss)/profit for the period	<u>(97,560)</u>	<u>4,114</u>	<u>(1,296)</u>	<u>(94,742)</u>
<b>Unaudited as at 30 June 2023</b>				
<b>Assets and liabilities</b>				
Reportable segment assets ( <i>Note (ii)</i> )	<u>1,864,011</u>	<u>116,505</u>	<u>192,494</u>	<u>2,173,010</u>
Reportable segment liabilities ( <i>Note (ii)</i> )	<u>1,448,326</u>	<u>71,114</u>	<u>96,071</u>	<u>1,615,511</u>

	Digital assets and blockchain platform business HK\$'000	Business park area management HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Unaudited for the six months ended 30 June 2022</b>				
<b>(Restated) (Note 1.1)</b>				
<b>Results</b>				
<b>Continuing operations</b>				
<b>Income from other sources:</b>				
Trading of digital assets and net fair value loss on digital assets (Note 5)	(17,580)	–	–	(17,580)
Rental income from business park area management services	–	22,661	–	22,661
<b>Revenue from contracts with customers:</b>				
Service fee income from SaaS (Note 5)	15,161	–	–	15,161
Trading fee from automated trading service (Note 5)	4,192	–	–	4,192
Income from custodian services and other revenues (Note 5)	3,864	–	–	3,864
(Loss)/profit for the period	(270,199)	3,365	(45,225)	(312,059)
<b>Discontinued operations</b>				
Loss from discontinued operations				(3,430)
Loss for the period				(315,489)
<b>Audited as at 31 December 2022</b>				
<b>Assets and liabilities</b>				
Reportable segment assets (Note (ii))	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 (ii))	1,638,634	85,879	123,177	1,847,690
Liabilities related to discontinued operations				7,310
Total liabilities				1,855,000

*Notes:*

- (i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the periods ended 30 June 2023 and 2022.
- (ii) Unallocated assets are mainly financial assets at fair value through profit or loss and cash and cash equivalents held by head office. Unallocated liabilities mainly include lease liabilities, borrowings and accruals for head office.

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

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

	Unaudited	
	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
		(Restated)
		(Note 1.1)
<b>From continuing operations</b>		
<b>Recognised over time:</b>		
Service fee income from SaaS (Note 5)	15,046	15,161
Income from custodian services (Note 5)	2,508	2,498
Others (Note 5)	864	1,366
<b>Recognised at a point of time:</b>		
Trading fee from automated trading service (Note 5)	5,597	4,192

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

	Unaudited	
	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
<b>From continuing operations</b>		
Income from digital assets and blockchain platform business:		
Trading of digital assets (Note (a))	71,631	(10,524)
Net fair value gain/(loss) on digital assets (Note (a))	9,571	(7,056)
Service fee income from SaaS	15,046	15,161
Trading fee from automated trading service	5,597	4,192
Income from custodian services	2,508	2,498
Others	864	1,366
	<u>105,217</u>	<u>5,637</u>

Note:

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

## 6 INCOME TAX EXPENSE

The corporate income tax in Mainland China has been provided at the rate of 25% (30 June 2022: 25%) on the estimated assessable profits for the period. The corporate income tax in the United Kingdom (“UK”) has been provided at the rate of 25% (30 June 2022: 19%) on the estimated assessable profits for the period. 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 profits arising in Hong Kong and Singapore during the six months ended 30 June 2023 (30 June 2022: same).

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>From continuing operations</b>		
Current income tax expense:		
People's Republic of China corporate income tax	<b>1,941</b>	2,067
UK corporate income tax	<b>323</b>	–
Deferred income tax expense/(credit)	<b>77</b>	(406)
	<hr/>	<hr/>
Income tax expense	<b><u>2,341</u></b>	<b><u>1,661</u></b>

## 7 DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 June 2023 (30 June 2022: same).

## 8 LOSS PER SHARE

### From 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:

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
		(Note 1.1)
Loss for the period from continuing and discontinued operations attributable to the owners of the Company	<b>94,952</b>	306,563
Add: Loss for the period from discontinued operations	<b>–</b>	(3,430)
	<hr/>	<hr/>
Loss for the period from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	<b><u>94,952</u></b>	<b><u>303,133</u></b>

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
<b>Number of shares:</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b>432,970,663</b>	419,243,279
	<i>HK\$</i>	<i>HK\$</i> (Restated) (Note 1.1)
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (per share)	<b>(0.22)</b>	(0.72)
Diluted (per share)	<b>(0.22)</b>	(0.72)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (per share)	<b>(0.22)</b>	(0.73)
Diluted (per share)	<b>(0.22)</b>	(0.73)

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period (30 June 2022: same).

For the period ended 30 June 2023, the Company had two categories of potential ordinary shares: share options and share awards (30 June 2022: 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.

## 9 DIGITAL ASSETS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Digital assets:</b>		
— Held in own wallets of the Group	<b>1,192,712</b>	1,025,730
— Digital assets held on exchange institutions ( <i>Note</i> )	<b>36,014</b>	35,613
	<b>1,228,726</b>	1,061,343

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

Among the digital asset balances, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK\$1,053,257,000 (31 December 2022: HK\$903,032,000) (Note 13). It also included the Group’s proprietary digital assets of approximately HK\$175,469,000 (31 December 2022: HK\$158,311,000). The balance is measured at fair value through profit or loss.

As at 30 June 2023, there were certain digital assets with fair value of approximately HK\$590,740,000 (31 December 2022: HK\$251,365,000) received from and held on behalf of clients by OSL Digital Securities Limited (“OSL DS”), a wholly owned subsidiary of the Company and a Hong Kong Securities and Futures Commission (“SFC”) licensed corporation. Those digital assets were safekept in segregated client wallets through a trust arrangement with BC Business Management Services (HK) Limited which is a wholly owned subsidiary of the Company and the associated entity of OSL DS under the Securities and Futures Ordinance. Based on the respective rights and obligations of OSL DS and its clients under the client terms and conditions (“OSL DS Client T&C”), these digital assets held in segregated wallets are not recognised as the Group’s digital assets and hence there are no corresponding digital asset liabilities under these arrangements. OSL DS also holds certain digital assets in its own wallets for facilitating the trading flow with its customers.

## 10 TRADE RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$’000</b>	<b>HK\$’000</b>
Trade receivables from digital assets and blockchain platform business	<b>43,209</b>	24,570
Less: loss allowance	<b>(2,643)</b>	(2,632)
	<u><b>40,566</b></u>	<u>21,938</u>
Trade receivables	<u><b>40,566</b></u>	<u>21,938</u>

Customers of the digital assets and blockchain platform business are generally required to prefund their accounts prior to trades. Trades with liquidity providers and certain counterparties that are considered creditworthy can be on credit with a credit period of 1–3 days after invoice date. For SaaS customers, credit term of 30 days after invoice date is granted in general.

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

At 30 June 2023 and 31 December 2022, the ageing analysis of the Group's trade receivables, based on invoice date, were as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–30 days	<b>40,566</b>	15,442
31–90 days	–	416
91–180 days	–	6,080
	<u><b>40,566</b></u>	<u>21,938</u>

## 11 CASH HELD ON BEHALF OF LICENSED ENTITY'S CUSTOMERS

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

## 12 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 90–180 days (31 December 2022: same).

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–30 days	<b>3,946</b>	15,255
Over 365 days	–	7,309
	<u><b>3,946</b></u>	<u>22,564</u>



### 13 LIABILITIES DUE TO CUSTOMERS

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	147,570	88,809
— Others	207,788	582,221
— Digital asset liabilities	<u>1,053,257</u>	<u>903,032</u>
	<u><u>1,408,615</u></u>	<u><u>1,574,062</u></u>

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\$590,740,000 as at 30 June 2023 (31 December 2022: HK\$251,365,000), they are kept in segregated wallets and are not recognised as the Group's digital assets and hence there are no corresponding digital asset liabilities under these arrangements.

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

### 14 SHARE CAPITAL

	Unaudited As at 30 June 2023		Audited As at 31 December 2022	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each at 1 January 2022, 31 December 2022 and 30 June 2023	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>				
At the beginning of the period/year	438,453,184	4,385	423,247,484	4,233
Issuance of new shares ( <i>Note (a)</i> )	–	–	3,679,430	37
Exercise of warrant shares by a warrant holder ( <i>Note (b)</i> )	–	–	11,526,270	115
At the end of the period/year	<u>438,453,184</u>	<u>4,385</u>	<u>438,453,184</u>	<u>4,385</u>

*Notes:*

- (a) During the year ended 31 December 2022, the Company issued 3,679,430 new shares on 8 August 2022 at HK\$0.01 for each share to the Trustee for the awarded shares granted on 4 April 2022 and 22 July 2022 respectively, pursuant to the share award plan adopted on 21 August 2018, to recognise and reward the contribution of the directors and employees for providing services to the Group, as well as consultants for providing similar services as the employees to the Group. The Board applied HK\$37,000 in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.
- (b) On 5 September 2022, J Digital 5 LLC exercised the conversion right to fully convert the warrant into 11,526,270 ordinary shares of the Company at a conversion price of HK\$0.01 per share. Consequently, HK\$115,000 was credited to share capital and HK\$153,184,000 was credited to share premium.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW AND MATERIAL EVENTS

The first half of 2023 presented various challenges and opportunities for the digital assets industry, characterized by heightened market volatility which culminated to a 52-week Bitcoin (“BTC”) price high at the end of June 2023, regulatory uncertainties, and rapidly evolving technological landscapes, in particular Artificial Intelligence (“AI”). Despite these challenges, OSL, the Group’s digital asset and blockchain platform business, has displayed exceptional resilience and strength, positioning itself as a leading digital assets platform in Asia.

Over the course of 1H2023, Hong Kong has displayed a strong willingness to establish itself as a leading global digital asset hub. The Hong Kong Special Administrative Region has recognized the potential of digital assets and blockchain technology, and the government has taken several significant steps to foster innovation and attract digital asset related businesses to the region.

On May 23, the SFC published the “Consultation Conclusions on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators”. In the original February consultation paper, the SFC discussed several key aspects related to retail access to licensed virtual asset trading platforms, token admission criteria, compensation arrangements for risks associated with custody of client assets, trading in virtual asset (“VA”) derivatives, implementation details, and transitional arrangements.

Upon receiving positive feedback from the majority of respondents, including OSL, the SFC has concluded that licensed virtual asset trading platforms can provide their services to retail investors in Hong Kong, subject to robust investor protection measures. This decision was made after considering public comments and the potential risks associated with retail investors trading on unregulated platforms overseas. Key aspects of the regulatory requirements include onboarding, governance, disclosure, and token due diligence and admission. Retail investors must also have knowledge of VA before trading, and the SFC will continue to work with the Investor and Financial Education Council to educate investors about VA. The revised proposed regulatory requirements became effective on 1 June 2023 and further cements the city’s status as a leading digital asset hub.

The highlight of OSL came in August with the approval of our application for an uplift to our existing license with the SFC of Hong Kong to facilitate retail trading, in line with the new regulatory requirements effective from 1 June 2023. OSL have become the first batch of recipients to be awarded the uplift. It is not only a significant milestone for the Group in its pursuit to make digital assets more accessible to a broader range of individuals, but also a historical milestone in the industry that will position OSL at the forefront of the transition to mainstream digital asset investment in Hong Kong.

Furthermore in the first half of 2023, the Group continued to demonstrate its commitment to driving innovation and advancing the digital asset space by forging strategic partnerships and entering into agreements, aiming not only to propel the Group's growth but also to foster progress and development across the entire industry.

On February 15, OSL DS and Arta TechFin, a hybrid fintech platform in both traditional assets and VA, entered into a strategic partnership (“**partnership**”) to create an end-to-end VA financial service ecosystem. Subject to obtaining required regulatory approvals, the partnership intends to offer a full spectrum of regulated VA solutions, including origination of asset-backed security tokens, secondary trading of physically-settled and cash-settled VA spot and VA derivatives, and custody of OTC and exchange-traded VA. Riding on the tailwind of the Hong Kong Government's progressive VA policies, our joint effort will continue to support Hong Kong's development as the global VA financial center.

On March 8, OSL DS entered into a strategic partnership with Victory Securities Holdings Co. Ltd., an SFC-regulated broker serving Hong Kong investors. This partnership aims to expand the availability of regulated digital asset services for Victory Securities' clients.

On April 14, OSL announced the launch of its AI Trader Bot, designed to offer an improved user experience to its clients. OSL, in terms of the company mission, is committed to empowering individuals and organizations to harness the full potential of technology, including AI, to streamline workflows, boost productivity, and drive innovation. The new AI initiative features machine learning algorithms and large language model technology to automate OSL's trading services, from support, to quotations to execution. It also uses historical activity coupled with market events for propensity modeling, to predict and suggest likely actions for customers.

On May 9, OSL launched asset management business targeting investments in Blockchain Solutions, AI and Web 3.0. As the first virtual asset trading service platform licensed by SFC in Hong Kong, OSL has access to unique deal flow and brings extensive experience in operating a digital asset business. OSL Asset Management Limited, a wholly owned subsidiary of the Company being granted the license by SFC to conduct Types 1, 4 and 9 regulated activities in Hong Kong, will leverage OSL's unique capabilities in digital asset and global connectivity to evaluate potential investments and generate long-term sustainable value by investing in private equity of emerging companies where AI and blockchain capabilities enhance investment returns.

On June 14, Hundsun Ayers Technologies Limited (“**Hundsun Ayers**”) and OSL DS announced the signing of a Memorandum of Understanding to explore strategic cooperation in the field of digital assets and financial services. The strategic cooperation will revolve around two key areas 1) Trading Connectivity: The parties will collaborate to integrate OSL DS's digital assets brokerage and exchange solutions into Hundsun Ayers' connectivity infrastructure and global trading system. This integration aims to

empower Hundsun Ayers' clients to seamlessly connect and trade with OSL DS, expanding their trading opportunities and improving their overall trading experience, and 2) Market Data Distribution: OSL DS will provide market data to Hundsun Ayers and enable Ayers to redistribute the data and information to its users.

On June 27, RD Technologies Group (“**RD Technologies**”) and OSL DS, the wholly owned subsidiary of the Company, jointly announced that they have entered a collaboration agreement. The two companies will explore the use of RD Technologies digital Corporate ID solution, RD ezLink, to enhance customer due diligence efficiency and customer experience for OSL DS's corporate customers. RD ezLink, the first digital Corporate ID issuance platform in Asia, provides corporate identity verification services for businesses registered in Hong Kong and overseas. The collaboration between RD ezLink and OSL DS would enable the latter to meet the regulatory requirements regarding corporate customer due diligence in a fast and efficient manner. An RD ezLink verified digital Corporate ID, in compliance with high regulatory standards, is an essential key to open the gate for businesses wishing to participate and operate effectively in the Web3.0 ecosystem.

## **REVIEW OF RESULTS**

### **Overall Performance**

The Group's IFRS income was HK\$126.4 million during the Period, representing an increase of HK\$98.1 million from HK\$28.3 million in 1H2022. The Group's IFRS loss from continuing operations was significantly narrowed to HK\$94.7 million during the Period, from HK\$312.1 million in 1H2022. The increase in IFRS income was primarily attributable to net gain of digital assets used in facilitation of the OSL prime brokerage business of HK\$28.5 million (1H2022: net loss of HK\$92.2 million) and net fair value gain on digital assets of HK\$9.6 million (1H2022: net fair value loss of HK\$7.1 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\$88.3 million for the Period, showing a decline of HK\$39.2 million from HK\$127.6 million in 1H2022.

Loss per share of the Group from continuing operations for the Period was HK\$22 cents (1H2022: HK\$72 cents).

### **Non-IFRS Measures**

To supplement the Group's unaudited condensed consolidated interim 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.

The volatility and uncertainty generally characterizes the digital assets market, the Group recognised net gain of digital assets used in facilitation of prime brokerage business of HK\$28.5 million for the Period (1H2022: net loss of HK\$92.2 million) and net fair value gain on digital assets of HK\$9.6 million for the Period (1H2022: net fair value loss of HK\$7.1 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 unaudited condensed 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 period-end market price as at 30 June 2023.

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

The table below sets forth a reconciliation of the Group's IFRS income to the Group's adjusted non-IFRS income for the Period and 1H2022:

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Income from digital assets and blockchain platform business	<b>105,217</b>	5,637
Rental income from business park area management services	<b>21,174</b>	22,661
	<u>126,391</u>	<u>28,298</u>
Group's IFRS income	<u><b>126,391</b></u>	<u>28,298</u>

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Income from digital assets and blockchain platform business in accordance with IFRS (per above)	<b>105,217</b>	5,637
Add back:		
Net fair value (gain)/loss on digital assets	<b>(9,571)</b>	7,056
Net (gain)/loss of digital assets used in facilitation of prime brokerage business	<b>(28,504)</b>	92,209
	<u>67,142</u>	<u>104,902</u>
Adjusted non-IFRS income from digital assets and blockchain platform business	<u><b>67,142</b></u>	<u>104,902</u>
Rental income from business park area management services (per above)	<b>21,174</b>	22,661
	<u>88,316</u>	<u>127,563</u>
Group's adjusted non-IFRS income	<u><b>88,316</b></u>	<u>127,563</u>



## **The OSL Digital Assets Platform**

During the Period, 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), which provides technology to banks, asset managers and financial institutions that enables them to provide digital assets trading services to clients.

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. OSL's institutional-focused trading business generated the majority of income for the platform.

The OSL digital assets platform's IFRS income was HK\$105.2 million for the Period, representing an increase of HK\$99.6 million from HK\$5.6 million in 1H2022.

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, amounted to HK\$43.1 million, as compared to HK\$82.2 million in 1H 2022. OSL exchange income increased by 28.3% YoY to HK\$6.5 million, income from custodian services was flat at HK\$2.5 million and service fee income from SaaS remained steady at HK\$15.0 million.

The OSL digital assets platform's total trading volume was HK\$112.6 billion for the Period, representing a decrease of 47.5% from HK\$214.4 billion in 1H2022. Brokerage trading volume, which is the combined trading volumes from OTC and iRFQ, was down 42.2% YoY to HK\$98.0 billion from HK\$169.4 billion. Exchange trading volume was down 74.0% YoY to HK\$8.9 billion from HK\$34.2 billion. SaaS trading volume decreased 46.8% YoY to HK\$5.7 billion from HK\$10.8 billion.

## **Mainland China-based Businesses**

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 Period was HK\$21.2 million, representing a slight decrease of 6.6% as compared to HK\$22.7 million in 1H2022. This was mainly attributable to the depreciation of exchange rates of Renminbi (“**RMB**”) against Hong Kong dollars (“**HKD**”) during the Period.



During the Period, 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 Period was HK\$9.9 million, representing a decrease of 13.4% as compared with HK\$11.5 million in 1H2022.

The gross profit for business park area management services for the Period and 1H2022 remained steady at HK\$11.2 million. The Group's gross profit margin for business park area management services was 53.1% for the Period (1H2022: 49.4%). The increase was mainly attributable to the decrease in lease expense as a result of lease modification during year 2022.

### **Selling Expenses**

Group's selling expenses was HK\$24.5 million for the Period, representing an increase of HK\$2.7 million from HK\$21.8 million in 1H2022. The increment was mainly due to the increase in referral expenses of HK\$14.0 million during the Period. The intention of referral expenses is to introduce clients to the Group's trading platforms to create quantitative benefits to the Group in the form of trading commissions or revenues resulting from client transaction volumes. Such increment in selling expenses is partially offset by the decrease in staff cost because of lower headcounts during the Period.

### **Administrative and Other Operating Expenses**

Administrative and other operating expenses for the Period was HK\$169.9 million, showing a significant decline of HK\$163.6 million as compared to HK\$333.5 million in 1H2022. The decline was mainly due to the decrease in expenditures by HK\$90.6 million related to establishing the corporate and technical infrastructure for the regulated institutional digital asset business, including technology, legal and compliance and marketing, as the Group gradually reduced the technology related spendings after the successful completion of a number of technology upgrades.

### **Net Loss**

Net loss of the Group from continuing operations for the Period was HK\$94.7 million, a decrease by HK\$217.4 million as compared with HK\$312.1 million for 1H2022. This was primarily due to the moderation in staff cost and technology spending and gain of digital assets held by the Group used in facilitation of prime brokerage business.

## Human Resources Cost and Remuneration Policies

As at 30 June 2023, the Group had a total of 119 employees across its Hong Kong, Singapore, the UK, and Mainland China (30 June 2022: 260 employees). The total staff cost during the Period was HK\$95.4 million (30 June 2022: HK\$180.7 million).

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

During the Period, out of employee benefit expenses (including research and development costs), HK\$3.6 million (30 June 2022: HK\$4.6 million) was capitalised as contract assets associated with the assignment of an intellectual property to Zodia Markets Holdings Limited ("**Zodia Markets**"). The research and development cost was driven by the Group's expansion of its technical capabilities and resources in the digital asset and blockchain industry.

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

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

In regards to the 2012 Share Option Scheme, no share options were granted during the Period, while 2,924,333 share options had lapsed and no share options had been exercised, hence 29,787,704 share options remained outstanding. In regards to the 2021 Share Option Scheme, no share options were granted during the Period, while 8,520,000 share options had lapsed and no share options had been exercised, hence 7,910,000 share options remained outstanding.

The Company also adopted the share award plan on 21 August 2018 to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group. No new shares were granted during the Period and 4,858,526 awarded shares remained unvested as at 30 June 2023.

## **PROSPECTS**

Looking ahead to the second half of 2023, the Group is well-positioned to capitalize on emerging opportunities in the dynamic digital asset landscape. Despite the challenges faced by the industry in the first half of the year, our healthy balance sheet and strategic initiatives continue to position us as a key player in the market. We remain committed to driving innovation, expanding our service offerings, and maintaining our competitive edge.

### **(1) OSL receives SFC License uplift, enabling retail investors to trade BTC and Ethereum (“ETH”)**

We are delighted to announce that OSL DS has received the uplift of license to offer retailer trading services for two of the most prominent cryptocurrencies, BTC and ETH. This significant achievement positions OSL as one of the pioneering entities in Hong Kong’s regulated digital asset market, providing a competitive advantage in the region. As OSL expands its product portfolio and continues to build on its reputation as an institutional-grade platform, we anticipate accelerated growth in retail participation and increased trading volumes, driving revenue in the second half of 2023 and beyond.

### **(2) Potential of Security Token Offerings (STOs)**

OSL made significant strides in the digital asset market with the successful launch of the first STO last year. As we look forward to the second half of 2023, we recognize the immense potential of STOs to open up a new service line and income stream for OSL.

STOs represent a paradigm shift in the way traditional securities are issued and traded on blockchain technology. The tokenization of assets, such as real estate, equity, and debt, offers increased liquidity, transparency, and accessibility to a global investor base. OSL’s expertise in compliance, security, and regulatory matters uniquely positions us to cater to this nascent and promising market.

### **(3) Continued emphasis on AI initiatives**

The Group recognizes the transformative potential of AI in the digital asset industry. With our commitment to innovation, we will continue to prioritize AI initiatives to not only enhance our company operation, but also our platform’s efficiency, security, and user experience. By leveraging our own AI Trader bot, we aim to optimize operations and provide a seamless experience to our clients. As AI technology evolves, we anticipate increased operational efficiency and cost-effectiveness, further enhancing our competitive position in the market.

### **(4) Prime Brokerage business to gain traction as a licensed entity through omnibus model**

The second half of 2023 marks a pivotal phase for our prime brokerage business. As a licensed entity, OSL Prime Brokerage is well-positioned to attract a broader client base, including professional investors and institutions seeking reliable and secure access to digital asset markets. With our comprehensive suite of services, we are poised to strengthen our foothold in the institutional space.

Moreover, we are pleased to announce that our omnibus agreement with Interactive Brokers successfully commenced operations in February. Building on this achievement, we are actively cultivating a robust pipeline of additional omnibus partnerships, capitalizing on the continued support of Hong Kong’s initiatives in the digital asset sector. By focusing on customized services, risk management, and compliance, we anticipate growth in the prime brokerage segment during the second half of 2023.

### **(5) SaaS continues to grow with existing and new customers**

Our SaaS offerings have gained significant traction with our existing customer base, and we expect this momentum to continue in the second half of 2023. Through continuous collaboration and feedback from our clients, we are committed to enhancing our SaaS solutions to meet evolving market demands. Additionally, we are excited to announce the launch of “Finlink”, a plug-and-play solution that streamlines digital asset integration for financial institutions. This new product is expected to drive new customer acquisitions and generate additional revenue streams.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 June 2023, the Group recorded total assets of HK\$2,173.0 million (31 December 2022: HK\$2,514.3 million), total liabilities of HK\$1,615.5 million (31 December 2022: HK\$1,855.0 million) and total shareholders' equity of HK\$557.5 million (31 December 2022: HK\$659.3 million). As at 30 June 2023, the gross gearing ratio (defined as total liabilities over total assets) was approximately 74.3% (31 December 2022: 73.8%).

The Group's cash position, after deduction of cash liabilities due to clients, as at 30 June 2023 was HK\$263.2 million (31 December 2022: HK\$426.9 million). Balance of the Group's proprietary digital assets increased from HK\$158.3 million as of 31 December 2022 to HK\$175.5 million as of 30 June 2023 given an increase in the value of crypto currencies in 1H 2023.

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

As at 30 June 2023, total borrowing amounted to HK\$21.2 million (31 December 2022: HK\$32.9 million). The Group's borrowings denominated in HKD, were interest bearing with interest rate at 12% per annum (31 December 2022: HKD and asset-backed stablecoins, were interest bearing with interest rates ranging from 4% to 12% per annum).

No borrowing was secured by digital assets as at 30 June 2023 (31 December 2022: Nil). As at 30 June 2023, the Group was in a net current assets position (31 December 2022: net current assets position).

### Treasury Policy

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

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Group currently operates mainly in Hong Kong, Singapore, UK, 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 Period. However, the Group is closely monitoring the currency exchange risk of RMB and is looking for any opportunities to mitigate it.

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

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries (31 December 2022: Nil).

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

As at 30 June 2023, the Group did not have any significant pledge (31 December 2022: Nil).

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

In June 2021, BC HoldCo I Limited, a wholly-owned subsidiary of the Company, entered into agreements with an independent third party in relation to the acquisition of 24.99% equity interest in Zodia Markets, which was a new entity incorporated in the UK. As at 30 June 2023, the Group's total commitments contracted but not provided for was an assignment of an intellectual property. The Group subsequently completed the transfer of an intellectual property in July 2023.

## **Contingent Liabilities**

As at 30 June 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

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

On 3 August 2023, OSL DS has received an uplift to its existing license from the SFC of Hong Kong. Effective from then, OSL DS officially offers retail investors the ability to register on its platform and access digital asset products, starting with the popular cryptocurrencies Bitcoin and Ethereum.

## **INTERIM DIVIDEND**

The Board resolved not to recommend an interim dividend in respect of the Period to the holders of ordinary shares of the Company (1H2022: Nil).

## **OTHER INFORMATION**

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

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

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry with all the Directors, each of the Directors confirmed that he has complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2023.

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

Throughout the six months ended 30 June 2023, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code from time to time, as set out in Appendix 14 to the Listing Rules.

All other information on the Corporate Governance Code of the Company have been disclosed in the Corporate Governance Report contained in the 2022 Annual Report of the Company issued in April 2023.

## AUDIT COMMITTEE

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

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

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023.

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

Hong Kong, 22 August 2023

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