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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 2021

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 2021, together with the comparative figures for the corresponding period in 2020. 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**

		Unaudited	
		For the six months ended	
		30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
			(Restated)
Continuing operations			
Income from principal activities:			
— Income from digital assets and blockchain platform business	5	113,970	67,255
— Revenue from advertising business	4	15,711	12,974
— Rental income from business park area management services		23,133	18,870
		152,814	99,099
Cost of revenue		(23,639)	(20,461)
Other income		546	384
Other (losses)/gains, net		(27)	85
Selling and distribution expenses		(61,770)	(8,657)
Administrative and other operating expenses		(209,347)	(150,868)
Provision for impairment losses on financial assets and contract assets, net		—	(725)
Operating loss		(141,423)	(81,143)
Finance income		5,277	5,030
Finance costs		(20,205)	(25,064)
Finance costs, net		(14,928)	(20,034)
Share of net loss of an associate accounted for using the equity method		(190)	—
Loss before income tax		(156,541)	(101,177)
Income tax expense	6	(1,320)	(810)
Loss from continuing operations		(157,861)	(101,987)
Profit from discontinued operations (attributable to the owners of the Company)		—	2,389
Loss for the period		(157,861)	(99,598)

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

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Loss for the period	(157,861)	(99,598)
Other comprehensive income/(loss)		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences on translation of foreign operations with a functional currency different from the Company's presentation currency	3,383	(2,762)
Release of exchange reserve upon disposal of subsidiaries	—	(315)
Other comprehensive income/(loss) for the period	3,383	(3,077)
Total comprehensive loss for the period	(154,478)	(102,675)
Loss for the period attributable to:		
Owners of the Company		
— Loss from continuing operations	(158,099)	(104,408)
— Profit from discontinued operations	—	2,389
	(158,099)	(102,019)
Non-controlling interests		
— Profit from continuing operations	238	2,421
	(157,861)	(99,598)

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

		Unaudited	
		For the six months ended	
		30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
			(Restated)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (<i>HK\$ per share</i>)	8	(0.44)	(0.34)
Diluted (<i>HK\$ per share</i>)	8	(0.44)	(0.34)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (<i>HK\$ per share</i>)	8	(0.44)	(0.34)
Diluted (<i>HK\$ per share</i>)	8	(0.44)	(0.34)
Total comprehensive loss for the period attributable to:			
Owners of the Company			
— Loss from continuing operations		(154,795)	(107,373)
— Profit from discontinued operations		—	2,389
		(154,795)	(104,984)
Non-controlling interests			
— Profit from continuing operations		317	2,309
		(154,478)	(102,675)

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

		Unaudited	Audited	Audited
		As at	As at	As at
		30 June	31 December	1 January
		2021	2020	2020
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
ASSETS				
Non-current assets				
		175,198	186,736	229,738
		46,997	52,548	56,917
		24,054	–	–
		23,299	–	–
		19,414	20,601	136,832
		–	–	19,467
		4,505	4,406	3,679
		293,467	264,291	446,633
Current assets				
	9	2,697,649	3,106,885	499,569
		9,789	6,528	31,739
	10	22,621	20,654	38,157
		1,574	–	–
		237,355	189,872	46,880
		274,866	–	–
		777	38,061	–
		1,953,804	413,487	214,625
		5,198,435	3,775,487	830,970
		–	–	2,939
		5,198,435	3,775,487	833,909
Total assets				
		5,491,902	4,039,778	1,280,542
LIABILITIES				
Non-current liabilities				
		16,754	16,571	15,046
		–	–	25,392
		132,074	151,803	186,528
		63,809	79,451	294,104
		–	–	6,773
		8,411	8,983	10,632
		221,048	256,808	538,475

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i> (Restated)	Audited As at 1 January 2020 <i>HK\$'000</i> (Restated)
	<i>Notes</i>			
LIABILITIES				
Current liabilities				
Trade payables	11	76,163	51,477	46,139
Collateral payables		63,711	179,559	10,301
Accruals and other payables		53,047	50,198	57,375
Contract liabilities		5,524	7,391	2,860
Liabilities due to customers	12	3,496,571	2,801,429	555,087
Lease liabilities		39,857	38,112	33,347
Financial liability at fair value through profit or loss		–	–	15,130
Borrowings		201,764	486,866	84,267
Current income tax liabilities		6,486	7,551	3,987
		<u>3,943,123</u>	<u>3,622,583</u>	<u>808,493</u>
Liabilities directly associated with assets classified as held for sale		–	–	7,726
Total current liabilities		<u>3,943,123</u>	<u>3,622,583</u>	<u>816,219</u>
Total liabilities		<u>4,164,171</u>	<u>3,879,391</u>	<u>1,354,694</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	13	4,193	3,366	2,845
Other reserves		2,297,335	972,132	446,658
Accumulated losses		(963,715)	(806,066)	(526,510)
		1,337,813	169,432	(77,007)
Non-controlling interests		<u>(10,082)</u>	<u>(9,045)</u>	<u>2,855</u>
Total equity/(deficit)		<u>1,327,731</u>	<u>160,387</u>	<u>(74,152)</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. During the period, the Group was principally engaged in the digital assets and blockchain platform business in Hong Kong and Singapore, and the provision for traditional advertising and business park area management services in the People's Republic of China (the “**PRC**”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

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

The consolidated financial statements were presented in Renminbi (“**RMB**”) in prior years. Starting from 1 January 2021, the Directors consider that as a result of the Group's future internationalisation strategy and the source of funding, the Group has changed its presentation currency for the preparation of its unaudited condensed consolidated interim financial statements from RMB to Hong Kong Dollars (“**HK\$**”). The Directors considered that the change of presentation currency to HK\$ enables the shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group's financial performance with its share price.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative figures have been restated to reflect the change in presentation currency to HK\$ accordingly. The Group has also presented the consolidated statement of financial position as at 1 January 2020 without related notes.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Annual Financial Statements**”), which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”). The condensed consolidated interim financial information 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 2020 Annual Financial Statements except for the adoption of amended standards and framework and changes in accounting policies as set out below.

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

The Group has applied the following amendments to standards and framework for the first time for their reporting period commencing on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform — phase 2
Amendments to IFRS 16	COVID-19-related rent concessions

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

(b) Changes in accounting policies in current accounting period

(i) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the unaudited condensed consolidated interim financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in exchange reserve.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

(ii) **Principles of consolidation and equity accounting**

(a) *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 (b) below), after initially being recognised at cost.

(b) *Equity method*

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.

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

Certain new amendments to standards and accounting guideline have been published that are not mandatory for financial year beginning on 1 January 2021 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts — costs of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 17	Insurance contracts	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 Transactions	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's management assessed that there are no new amendments to standards and accounting guideline that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT REPORTING

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

The Group has three reportable segments (30 June 2020: four reportable segments, including the discontinued operations) during the period. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

Note: The Board had decided to discontinue the operation of wireless advertising business on 29 December 2016. In accordance with IFRS 5, the segment of wireless advertising service for the period ended 30 June 2020 was classified as discontinued operations in the Group's unaudited condensed consolidated interim financial statements.

	Continuing operations				Total HK\$'000
	Digital assets and blockchain platform business HK\$'000	Business park area management HK\$'000	Traditional advertising HK\$'000	Unallocated HK\$'000	
Unaudited for the six months ended					
30 June 2021					
Results					
Income from other sources:					
Income from digital assets and blockchain platform business	107,043	–	–	–	107,043
Rental income from business park area management services	–	23,133	–	–	23,133
Revenue from contracts with customers:					
Revenue from advertising	–	–	15,711	–	15,711
Service fee from SaaS	3,511	–	–	–	3,511
Interest income from inventories financing and other revenues	3,416	–	–	–	3,416
(Loss)/profit for the period	<u>(61,582)</u>	<u>4,136</u>	<u>(1,043)</u>	<u>(99,372)</u>	<u>(157,861)</u>
Unaudited as at 30 June 2021					
Assets and liabilities					
Reportable segment assets (<i>Note (ii)</i>)	<u>4,680,629</u>	<u>141,884</u>	<u>69,520</u>	<u>599,869</u>	<u>5,491,902</u>
Reportable segment liabilities (<i>Note (ii)</i>)	<u>3,727,563</u>	<u>117,783</u>	<u>18,561</u>	<u>300,264</u>	<u>4,164,171</u>

	Continuing operations				Discontinued operations		Total HK\$'000
	Digital assets and blockchain platform business HK\$'000	Business park area management HK\$'000	Traditional advertising HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Wireless advertising HK\$'000	
Unaudited for the six months ended 30 June 2020 (Restated)							
Results							
Income from other sources:							
Income from digital assets and blockchain platform business	62,259	-	-	-	62,259	-	62,259
Rental income from business park area management services	-	18,870	-	-	18,870	-	18,870
Revenue from contracts with customers:							
Revenue from advertising	-	-	12,974	-	12,974	-	12,974
Service fee from SaaS	2,656	-	-	-	2,656	-	2,656
Interest income from inventories financing and other revenue	2,340	-	-	-	2,340	-	2,340
(Loss)/profit for the period	<u>(151)</u>	<u>1,361</u>	<u>(2,921)</u>	<u>(100,276)</u>	<u>(101,987)</u>	<u>2,389</u>	<u>(99,598)</u>
(Loss)/profit for the period from continuing operations	(151)	1,361	(2,921)	(100,276)	(101,987)	-	(101,987)
Profit for the period from discontinued operations	-	-	-	-	-	2,389	2,389
	<u>(151)</u>	<u>1,361</u>	<u>(2,921)</u>	<u>(100,276)</u>	<u>(101,987)</u>	<u>2,389</u>	<u>(99,598)</u>
Audited as at 31 December 2020 (Restated)							
Assets and liabilities							
Reportable segment assets (Note (ii))	<u>3,522,724</u>	<u>147,473</u>	<u>75,281</u>	<u>294,300</u>	<u>4,039,778</u>	<u>-</u>	<u>4,039,778</u>
Reportable segment liabilities (Note (ii))	<u>3,333,607</u>	<u>125,876</u>	<u>25,017</u>	<u>394,891</u>	<u>3,879,391</u>	<u>-</u>	<u>3,879,391</u>

Notes:

- (i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the periods ended 30 June 2021 and 2020.
- (ii) Unallocated assets mainly include cash and cash equivalents held by head office and pledged deposits. Unallocated liabilities mainly include borrowings.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

During the period ended 30 June 2021, all sources of revenue from contracts with customers were recognised over time (30 June 2020: same).

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Revenue from advertising business	15,711	12,974
Service fee from SaaS (Note 5)	3,511	2,656
Interest income from inventories financing (Note 5)	1,336	1,597
Others (Note 5)	2,080	743

5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Income from digital assets and blockchain platform business:		
Trading of digital assets (Note (a))	104,340	62,435
Net fair value gain/(loss) on digital asset inventories (Note (a))	2,703	(176)
Service fee from SaaS	3,511	2,656
Interest income from inventories financing	1,336	1,597
Others	2,080	743
	<u>113,970</u>	<u>67,255</u>

Note:

- (a) The Group's digital assets and blockchain platform business includes primarily OTC trading business to trade digital assets with corporate and individual customers, and the provision of automated digital assets trading services through its proprietary platforms. Income from digital assets trading business represents trading margin arising from trading various digital assets and net gains or losses from remeasurement of digital asset inventories to the extent it is not offset by remeasurement of digital assets 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

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 2021 and 2020.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the six months ended 30 June 2021 and 2020 was 25% on their taxable profits.

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

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Current tax		
PRC corporate income tax	2,023	1,423
Deferred income tax	(703)	(613)
	<hr/>	<hr/>
Income tax expense	1,320	810
	<hr/> <hr/>	<hr/> <hr/>

7 DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

8 LOSS PER SHARE

For continuing and discontinued operations

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

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Loss from continuing operations:		
Loss for the period attributable to the owners of the Company	158,099	102,019
Add: Profit for the period from discontinued operations (attributable to the owners of the Company)	–	2,389
	<hr/>	<hr/>
Loss for the period from continuing operations attributable to owners of the Company for the purpose of basic and diluted loss per share	158,099	104,408
	<hr/> <hr/>	<hr/> <hr/>

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:

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Loss from continuing and discontinued operations:		
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u>158,099</u>	<u>102,019</u>
	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>359,387,646</u>	<u>303,666,406</u>
	<i>HK\$</i>	<i>HK\$</i>
		(Restated)
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (<i>per share</i>)	<u>(0.44)</u>	(0.34)
Diluted (<i>per share</i>)	<u>(0.44)</u>	<u>(0.34)</u>
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (<i>per share</i>)	<u>(0.44)</u>	(0.34)
Diluted (<i>per share</i>)	<u>(0.44)</u>	<u>(0.34)</u>

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

The share options, share award, convertible note and warrants granted by the Company and the Company's subsidiaries could have potential dilutive effect on the loss per share. During the six months ended 30 June 2021, the share options, share award and a warrant granted by the Company (30 June 2020: the share options, share award granted by the Company, and a convertible note and a warrant by the Company's loss-making subsidiaries) had anti-dilutive effect to the Group as the assumed conversion of these instruments would result in a decrease in loss per share.

9 INVENTORIES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
Digital asset inventories:		
— Held in own wallets of the Group	2,637,572	3,088,329
— Digital assets held on exchange institutions (<i>Note</i>)	60,077	18,556
	2,697,649	3,106,885

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.

Given the good reputation of the exchanges and no history of default on demanding immediate withdrawal of digital assets, management believes counterparty credit risk is minimal at 30 June 2021 and 31 December 2020.

As at 30 June 2021, inventory balance of approximately United States dollars (“USD”) 2,541,000, equivalent to approximately HK\$19,737,000 (31 December 2020: approximately USD2,300,000, equivalent to approximately HK\$17,829,000), represents digital assets held on a trading account with a third party digital assets exchange (“Third Party Trading Platform”) for the purpose of hedging risks arising from the digital asset trading business of a subsidiary of the Group. Due to inquiries by a governmental agency having jurisdiction over the Third Party Trading Platform, the Group’s access to the trading account with the Third Party Trading Platform has been put on hold. The underlying digital assets held on the trading account comprised mainly Bitcoin and other stablecoins which continued to be measured at fair value as at the end of the reporting periods. Management is confident that the Group can retrieve the digital assets balance once the governmental agency’s inquiries are resolved with the Third Party Trading Platform.

10 TRADE AND BILLS RECEIVABLES

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i> (Restated)
Trade receivables from business park area management services	6,207	5,859
Less: loss allowance	(5,946)	(5,859)
Trade receivables from advertising business	7,215	13,540
Less: loss allowance	(1,405)	(1,385)
	6,071	12,155
Trade receivables from digital assets and blockchain platform business	22,707	14,869
Less: loss allowance	(6,157)	(6,370)
	16,550	8,499
Trade receivables	22,621	20,654

For the advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and further grants a credit term of 30 to 90 days after the invoice date, while prepayments from customers for provision of business park area management services are generally required.

Customers of the digital assets and blockchain platform business are generally required to prefund their accounts prior to trades. Trades with liquidity providers and certain counterparties that are considered creditworthy can be on credit.

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

At 30 June 2021 and 31 December 2020, the ageing analysis of the Group's trade receivables, based on invoice date, were as follows:

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i> (Restated)
0–30 days	15,131	13,998
31–90 days	567	6,435
91–180 days	497	–
181–365 days	6,426	–
Over 365 days	–	221
	<u>22,621</u>	<u>20,654</u>

11 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 90–180 days.

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

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i> (Restated)
0–30 days	65,553	43,999
31–90 days	769	1,727
91–180 days	722	754
181–365 days	8,947	2,931
Over 365 days	172	2,066
	<u>76,163</u>	<u>51,477</u>

12 LIABILITIES DUE TO CUSTOMERS

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i> (Restated)
Liabilities due to customers		
— Fiat currency liabilities	842,534	276,920
— Digital assets liabilities	2,654,037	2,524,509
	<u>3,496,571</u>	<u>2,801,429</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 and other relevant agreements.

Based on the respective rights and obligations of the Group and its customers under various arrangements, fiat currency and digital assets held by the Group in the customers' accounts are recognised as the Group's assets with a corresponding liability due to the customers. The liabilities are measured at fair value through profit or loss with changes in fair values recognised in the 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".

13 SHARE CAPITAL

	Unaudited As at 30 June 2021		Audited As at 31 December 2020	
	<i>Number of</i> <i>shares</i>	<i>HK\$'000</i>	<i>Number of</i> <i>shares</i>	<i>HK\$'000</i> (Restated)
Authorised:				
Ordinary shares of HK\$0.01 each at 30 June 2021 and 31 December 2020	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:				
At the beginning of the period/year	336,621,033	3,366	284,483,913	2,845
Issuance of new shares (<i>Notes (a) and (b)</i>)	79,113,360	792	49,164,687	492
Issuance of new shares upon conversion of a convertible note (<i>Note (c)</i>)	—	—	1,638,655	16
Exercise of share options (<i>Note (d)</i>)	3,547,703	35	1,333,778	13
At the end of the period/year	<u>419,282,096</u>	<u>4,193</u>	<u>336,621,033</u>	<u>3,366</u>

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 6 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\$533,733,000 was credited to share premium. (2020: On 24 January 2020, the Company allotted and issued 43,100,000 ordinary shares at a subscription price of HK\$6.50 per share to 7 subscribers. Upon the issuance of the shares, HK\$431,000 was credited to share capital and HK\$279,719,000 was credited to share premium.)
- (b)(i) During the six months ended 30 June 2021, the Company issued 2,160,860 new shares at HK\$0.01 for each share to the trustee, pursuant to the share award plan adopted on 21 August 2018, to recognise and reward the contribution of employees and consultants providing similar services for providing services to the Group. The Board applied HK\$22,000, in the share premium account of the Company to issue new shares credited as fully paid to the trustee. (2020: the Company issued 5,013,474 new shares at HK\$0.01 for each share to the trustee, pursuant to the share award plan adopted on 21 August 2018, to recognise and reward the contribution of directors, employees and consultants providing similar services for providing services to the Group. The Board applied HK\$50,000, in the share premium account of the Company to issue new shares credited as fully paid to the trustee.)
- (b)(ii) On 6 July 2020, the Company allotted and issued 1,051,213 ordinary shares of the Company to J Digital 5 LLC at a consideration of HK\$7,800,000 and the subscription consideration was used to set off against the repurchase costs of the warrant issued during the year ended 31 December 2018. Consequently, HK\$11,000 was credited to share capital and HK\$7,789,000 was credited to share premium.
- (c) On 23 December 2020, J Digital 5 LLC exercised the conversion right to fully convert the convertible note into 1,638,655 ordinary shares of the Company at a conversion price of HK\$9.52 per share. Consequently, HK\$16,000 was credited to share capital and HK\$16,281,000 was credited to share premium.
- (d) During the six months ended 30 June 2021, 3,547,703 share options were exercised by the employees and consultants providing similar services for providing services to the Company and its subsidiaries. Consequently, HK\$35,000 was credited to share capital and HK\$41,643,000 was credited to share premium. (2020: 1,333,778 share options were exercised by the employees and consultants providing similar services for providing services to the Company and its subsidiaries. Consequently, HK\$13,000 was credited to share capital and HK\$14,934,000 was credited to share premium.)

14 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 Holdings Limited, which was incorporated in the United Kingdom (“UK”). As at 30 June 2021, the Group’s total commitments contracted but not provided for investment in an associate were USD1,750,000 (equivalent to approximately HK\$13,591,000) and an assignment of an intellectual property.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

Placing of Existing Shares and Top-up Subscription of New Shares under General Mandate

On 5 January 2021, the Company and East Harvest Global Limited (the “**Vendor**”) entered into the placing and subscription agreement (the “**Placing and Subscription Agreement**”) with Morgan Stanley & Co International PLC (“**Morgan Stanley**”) pursuant to which Morgan Stanley agreed to act as agent for the Vendor to place a total of 45,000,000 placing shares (“**January Placing Shares**”) owned by the Vendor at a price of HK\$15.50 per placing share (the “**January Placing**”) to no less than six independent placees (“**January Placees**”). The January Placees were professional, institutional or other investors approved, selected and/or procured by or on behalf of Morgan Stanley as contemplated by the Placing and Subscription Agreement, who and whose respective ultimate beneficial owners were third parties independent of the Company and its connected persons and who would not become substantial shareholders of the Company after completion of the January Placing. The Vendor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue to the Vendor 45,000,000 subscription shares (“**January Subscription Shares**”) at the subscription price, which was equal to the placing price (the “**January Subscription**”). The closing price of Subscription Shares on the date of entering the Placing and Subscription Agreement (i.e. 5 January 2021), was HK\$19.22 per January Subscription Share. The aggregate nominal value of the 45,000,000 subscription shares was HK\$450,000.

The Company considered that the Placing and the Subscription represented an opportunity to raise capital for the Group while broadening its shareholder base and would also strengthen the financial position of the Group for the expansion of the Group’s digital assets and blockchain platform business.

The gross proceeds and the received net proceeds from the January Subscriptions were approximately HK\$697.5 million and approximately HK\$658 million, respectively. The Company intends to use the net proceeds as to (i) approximately HK\$40 million for developing and enhancing platform technology of digital asset platform business; (ii) approximately HK\$225 million for maintaining sufficient liquid capital to satisfy the SFC license requirement of the licensed entity and the expansion of prime brokerage business; (iii) approximately HK\$293 million for operating working capital including rental expenses, staff costs, marketing and IT expenses, other general expenses and professional fees; and (iv) approximately HK\$100 million for potential future acquisition and general working capital of the Group. The net price per January Subscription Share was approximately HK\$14.62.

Placing of New Shares under General Mandate

On 11 June 2021, the Company and Macquarie Capital Limited (“**Macquarie**”) entered into the placing agreement (the “**Placing Agreement**”) pursuant to which the Company appointed Macquarie to place a total of 31,952,500 placing shares (“**June Placing Share**”) at a price of HK\$17.00 per June Placing Share (“**June Placing**”).

The Company considers that the June Placing represents an opportunity to raise capital for the development and furtherance of the Group’s business and will also strengthen the financial position of the Group for the development and expansion of the Group’s digital assets and blockchain platform business.

The closing price on the last trading day prior to signing of the Placing Agreement for June Placing Shares (i.e. 10 June 2021) was HK\$19.26 per share. The aggregate nominal value of the June Placing Shares was HK\$319,525. The June Placing Shares were placed to one placee, namely GIC (“**GIC**”). GIC is a global investment management company established in 1981 to manage Singapore’s foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. Headquartered in Singapore, GIC has investments in over 40 countries and employs over 1,800 people across 10 offices in key financial cities worldwide.

The gross proceeds from the June Placing were approximately HK\$543.19 million. The received net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the June Placing, were approximately HK\$534 million, representing a net issue price of approximately HK\$16.74 per June Placing Share.

The Company intends to use the net proceeds from the June Placing as to (i) approximately HK\$198 million for IT-related costs including digital transformation, developing and enhancing platform technology of digital asset platform business; (ii) approximately HK\$236 million for operating working capital other than IT-related costs including rental expenses, staff costs, marketing expenses, other general expenses and professional fees; and (iii) approximately HK\$100 million as reserves for future expansion in markets including UK, Singapore and Americas.

FINANCIAL ANALYSIS

Change of presentation currency

The consolidated financial statements were presented in RMB in prior years. Starting from 1 January 2021, the Directors consider that as a result of the Group’s future internationalisation strategy and the source of funding, the Group has changed its presentation currency for the preparation of its unaudited condensed consolidated interim financial statements from RMB to HK\$. The Directors considered that the change of presentation currency to HK\$ enables the shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group’s financial performance with its share price.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative figures have been restated to reflect the change in presentation currency to HK\$ accordingly. The Group has also presented the consolidated statement of financial position as at 1 January 2020 without related notes.

Overall Performance

For the six months ended 30 June 2021 (the “**Period**”), the Group recorded total revenue and income of HK\$152.8 million, representing an increase of approximately 54.2%, or HK\$53.7 million, from HK\$99.1 million for the corresponding period of 2020, driven by an increase in trading income from the OSL digital asset and blockchain platform business.

The operating loss of the Group was HK\$141.4 million for the Period, representing an increase of HK\$60.3 million or 74.3%, from net operating loss of HK\$81.1 million for the corresponding period of 2020.

The net loss of the Group increased from HK\$99.6 million for the six months ended 30 June 2020 to HK\$157.9 million for the Period, an increase of HK\$58.3 million or 58.5%.

Loss per share of the Group for the Period was HK\$44 cents (for the six months ended 30 June 2020: HK\$34 cents).

Digital Assets and Blockchain Platform Business: OSL

The OSL digital asset and blockchain platform business started in 2018 and grew substantially in the Period, and continues to be the largest business revenue and income contributor to the Group. During the Period, the digital assets and blockchain platform business generated income of HK\$114.0 million, which was up 69.5% as compared to income of HK\$67.3 million in the corresponding period in 2020. The significant increase was driven by an increase in trading volume from the Group’s digital asset trading services and the provision of digital assets SaaS and related services.

Income from facilitation of trading of digital assets, service fee from SaaS, interest income from inventories financing and other digital asset and blockchain platform related business were HK\$107.0 million, HK\$3.5 million, HK\$1.4 million and HK\$2.1 million, respectively. Of the HK\$114.0 million in income from the digital assets and blockchain platform business, HK\$4.7 million was generated from service fees or trading income from our licensed SaaS customers.

Advertising and Business Park Area Management Services Businesses

Revenue from the advertising business for the Period was HK\$15.7 million, an increase of HK\$2.7 million or 21.1% as compared with the corresponding period of 2020.

Rental income from business park area management services for the Period was HK\$23.1 million, representing an increase of 22.6% compared to HK\$18.9 million in the corresponding period of 2020.

During the Period, the cost of generating revenues from advertising and business park area management services mainly comprised expenses and costs for procuring advertising space, staff remuneration, event organising lease expense, production costs and holding the lease on the business park area. The cost of revenue from advertising and business park area management services for the Period was HK\$22.7 million, representing an increase of 11.1% or HK\$2.3 million as compared with HK\$20.5 million for the corresponding period of 2020. The cost of revenue increased correspondingly with the rise in revenue in the advertising business.

The gross profit for advertising and business park area management services for the Period was HK\$16.1 million, representing an increase of HK\$4.7 million as compared to HK\$11.4 million for the corresponding period of 2020. The Group's gross profit margin for advertising and business park area management services was 41.5% (six months ended 30 June 2020: 35.7%). The increase was mainly attributable to the increase in the proportion of rental income from the business park area management services segment which generated higher gross profit margins.

Selling and Distribution Expenses

Selling and distribution expenses increased by HK\$53.1 million from HK\$8.7 million in the corresponding period of 2020 to HK\$61.8 million for the Period. The increase was mainly attributable to warrant expenses incurred for the Period. The intention of the warrant is to promote liquidity within the Group's trading platforms by encouraging trading activities of J Digital 5 LLC in order to create quantitative benefits to the Group in the form of trading commissions or revenues resulting from client transaction volumes attributable to the liquidity provided.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Period increased by HK\$58.5 million to HK\$209.3 million as compared to the corresponding period of 2020. The increase was mainly due to the increase in expenditures related to establishing the corporate and technical infrastructure for the regulated institutional digital asset segment, including technology, legal and compliance, marketing, insurance and staff costs.

Net Loss

Net loss of the Group for the Period was HK\$157.9 million, an increase of HK\$58.3 million as compared with HK\$99.6 million for the corresponding period of 2020. Despite the significant increase in income from the digital assets and blockchain platform business for the Period, the increase in net loss was primarily due to warrant expenses and the expansion of the Group's digital assets and blockchain platform business.

Interim Dividends

The Board has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2021 to the holders of ordinary shares of the Company.

Liquidity and Financial Resources

As at 30 June 2021, the Group recorded total assets of HK\$5,491.9 million (31 December 2020: HK\$4,039.8 million), total liabilities of HK\$4,164.2 million (31 December 2020: HK\$3,879.4 million) and total shareholders' equity of HK\$1,327.7 million (31 December 2020: HK\$160.4 million). As at 30 June 2021, the gross gearing ratio (defined as total liabilities over total assets) was approximately 75.8% (31 December 2020: 96.0%).

The Group mainly used internal cash flows from operating activities, borrowings and issuing equity to satisfy its working capital requirements.

As at 30 June 2021, total borrowings amounted to HK\$265.6 million (31 December 2020: HK\$566.3 million). The Group's borrowings comprised other loans denominated in HK\$, RMB and USD. HK\$115.1 million (31 December 2020: HK\$420.2 million) borrowings were interest bearing with interest rates ranging from 3% to 8% per annum (31 December 2020: 3% to 8% per annum). The remaining borrowings were non-interest bearing.

HK\$214.3 million (31 December 2020: HK\$250.1 million) borrowings were secured by RMB deposits, or digital assets (31 December 2020: secured by RMB deposits, or digital assets). As at 30 June 2021, the Group was in a net current assets position (31 December 2020: net current assets position).

Treasury Policy

It is the Group's treasury management policy not to engage in any principal financial investments or use of speculative derivative instrument with high risks. During the 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, HK\$ and USD.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group currently operates mainly in Hong Kong, Singapore and Mainland China.

For operations in Hong Kong, most of the transactions are denominated in HK\$ and USD. The exchange rate of USD against HK\$ is relatively stable, and the related currency exchange risk is considered minimal. For operations in Mainland China, most of the transactions are settled in RMB, the impact of foreign exchange exposure to the Group is minimal. For operations in Singapore, as digital asset trading transactions and other business transactions are denominated in USD mainly, with only some local operating expenses being settled in Singapore dollars ("SGD"), any SGD-related exposure to foreign exchange risk is minimal.

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

Material Acquisitions and Disposals of Subsidiaries

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

Charge on the Group's Assets

As at 30 June 2021 and 31 December 2020, the Group pledged RMB deposits or digital assets.

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 Holdings Limited, which was incorporated in the UK. As at 30 June 2021, the Group's total commitments contracted but not provided for investment in an associate were USD1.75 million (equivalent to approximately HK\$13.6 million) and an assignment of an intellectual property.

Contingent Liabilities

As at 30 June 2021 and 31 December 2020, the Group did not have any significant contingent liabilities.

Human Resources Cost

As at 30 June 2021, the Group had a total of 186 employees across its Hong Kong, Singapore, UK, Americas and Mainland China offices (30 June 2020: 130 employees). The total staff cost during the Period was HK\$140.0 million (30 June 2020: HK\$109.7 million).

The Company operates a share option scheme ("**2012 Share Option Scheme**") for the purpose of providing incentives to, retaining, recognising and motivating eligible Directors, employees and other eligible participants who make a contribution to the Group. During the Period, the Company granted 3,500,000 share options under the 2012 Share Option Scheme (30 June 2020: 23,000,000), while 290,000 share options had been lapsed (30 June 2020: 200,000) and 3,547,703 share options had been exercised (30 June 2020: Nil), hence 40,980,353 share options were remained outstanding (30 June 2020: 40,903,334).

On 28 May 2021, the Company adopted a new share option scheme (the "**2021 Share Option Scheme**") and has terminated the 2012 Share Option Scheme. During the Period, no share option under the 2021 Share Option Scheme was granted, exercised, cancelled or lapsed and no outstanding option were resulted.

The Company has also adopted a share award plan to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group.

The Company has granted 2,160,860 new shares (“**Awarded Shares**”) under its share award plan during the Period (30 June 2020: 3,288,974). Among 2,160,860 Awarded Shares granted, (i) 364,666 Awarded Shares have been vested on 7 April 2021 and in respect of 549,860 Awarded Shares, one-third of the Awarded Shares will be vested on 7 January 2022; and (ii) in respect of 1,611,000 Awarded Shares, one-fourth of the Awarded Shares will be vested on each of 4 September 2021, 4 September 2022, 4 September 2023 and 4 September 2024.

Tricor Trust (HK) Limited (“**Tricor Trust**”) has been appointed as the trustee for the administration of the share award plan. Tricor Trust shall hold the shares for the benefit of the selected participants who are not connected persons (as defined under the Listing Rules) of the Company. Tricor Trust shall not be entitled to exercise any voting rights in respect of any Shares held under the trust.

Business Overview

In the first six months of 2021, the world continued to grapple with geopolitical risks, inflationary fears and the ongoing COVID-19 pandemic, and anticipated economic recoveries in major markets were muted as a result. Digital assets were also impacted by the broader macroeconomic environment, as well as other factors, such as stricter regulatory rhetoric from Mainland China and the United States and questions around the environmental sustainability of Bitcoin. This created uncertainty in the retail segment globally, and the digital asset market saw a significant selloff and price retraction.

Despite these headwinds, the Group and OSL experienced important development milestones and continued on a pace of outperformance, with overall Group revenues of HK\$152.8 million for the Period, an increase of 54.2% from HK\$99.1 million in the first half of 2020.

The OSL digital asset platform led the Group’s growth, with revenues of HK\$114.0 million for the Period, an increase of 69.5% year-over-year (“**YoY**”) from HK\$67.3 million in the first half of 2020.

OSL digital asset platform volumes were up 70% YoY to HK\$117 billion from HK\$69 billion in the first half of 2020, and total assets on platform increased 36.1% to HK\$3.8 billion at the end of Period from HK\$2.8 billion for the six months ended 30 June 2020. Digital assets and blockchain platform business now account for 74.6% of all Group revenues, an increase of 9.9% from the first half of 2020.

Furthermore, OSL rapidly expanded its footprint as a result of a landmark joint venture with Standard Chartered and SC Ventures in the UK and Europe; and the Group’s licensed venue in Hong Kong, OSL Digital Securities, went live, conducting the first licensed trade of a security token in the market. OSL also bolstered its leading team, adding six senior industry veterans across technology, business development, and operations in the first half of 2021. It also invested in operational scalability and technology resiliency to broaden the scope and size of its banking relationships, and frequently transact directly and at a larger, institutional scale with other licensed securities companies and asset managers.

Additionally, the Group closed two share placements totaling HK\$1.24 billion with participation from long-term strategic investors Robeco, Fidelity, UBS and GIC, amongst others.

These achievements were in-line with the broader digital asset sector, which saw investment into its infrastructure ecosystem continue at pace, while participation from both the institutional and retail segments also continued to rapidly increase, even as price action trended downward.

The Group's Mainland China business showed improved performance during the Period with overall revenue increasing 22.0% YoY to HK\$38.8 million, up from HK\$31.8 million in the first half of 2020.

During the Period, the Group made significant progress on its Environment, Social and Governance (“ESG”) efforts, and offset its carbon footprint for the last three years (2018-2020) through the purchase and retirement of voluntary carbon credits via the AirCarbon Exchange, a Singapore-based carbon credit exchange. The credits were issued under Verra's Verified Carbon Standard (VCS) Program and were generated from a solar renewable power project in India, which also meets a number of the United Nations Sustainable Development Goals, including goals related to climate action, good health, quality education, clean water and economic growth.

Further, the Group expanded the activities of its ESG Committee, initiating a full materiality assessment, and also made a strategic investment in AllInfra, a blockchain company providing access to climate-related products and services.

The OSL Digital Asset Platform

In the first half of 2021, OSL again delivered on its strategic roadmap and objectives, exponentially growing its SaaS technology capabilities, reach and client numbers. The first quarter was a transition period, as the Company focused on onboarding new brokerage and exchange counterparties to the platform and shifting its SaaS client focus to the regulated segment.

While these activities had some short-term impact on revenues, a record number of individual, professional and institutional investors also onboarded to the platform in the first quarter through the Group's Hong Kong and Singapore exchanges and its B2B2C SaaS network. As a result, active users and platform volumes rose to new highs in the second quarter, setting the stage for continued growth in the second half of 2021 as OSL becomes the platform of choice for global digital asset trading infrastructure.

The OSL platform experienced revenue growth across all business units in the Period. Prime brokerage revenues in the first half of 2021 were up 65.0% YoY to HK\$105.3 million from HK\$63.8 million during the same period the previous year. Exchange revenues for the Period were up 5,003.3% YoY to HK\$3.1 million from HK\$0.06 million in the first half of 2020. Revenue from custody and other fees were up 179.9% YoY to HK\$2.1 million from HK\$0.7 million during the same period the year before, and SaaS service fee revenue increased 32.2% YoY to HK\$3.5 million from HK\$2.7 million in the first half of 2020.

In addition, OSL saw material volume increases across all platform products and services in the first half of 2021. Exchange volumes were up 7,506% YoY to HK\$24.3 billion as compared to HK\$319 million in the first half of 2020. Brokerage trading volume increased 28% to HK\$88.0 billion as compared to HK\$68.0 billion in the same period the previous year, and SaaS trading volume increased 3,029% to HK\$4.9 billion as compared to HK\$155.0 million in the first half of 2020.

During the Period, active clients for the OSL digital asset platform grew by more than ten times compared to the same period the previous year.

On 2 June 2021, the Group announced that it had agreed with SC Ventures, the innovation and ventures unit of Standard Chartered, to create a partnership to establish a digital asset brokerage and exchange platform for institutional and corporate clients in the UK and Europe. The Group's former Chief Information Officer Usman Ahmad is now Chief Executive Officer of the new company, and Nick Philpott, formerly of SC Ventures, is the Chief Operating Officer.

The joint venture will be underpinned by the Group's leading OSL digital-asset technology and Standard Chartered's global network and experience in brokerage and providing access to European markets. Based in the UK, and initially targeting the European market, the company will connect institutional traders to counterparties across markets, delivering access to deep pools of liquidity in Bitcoin, Ethereum and other digital assets. The joint venture aims to launch in the fourth quarter of 2021, subject to regulatory approvals.

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

The agreement is the first collaboration between the first SFC-approved digital asset manager and the Group, which is the parent of the first SFC-licensed brokerage and exchange in Hong Kong. Under the MOU, OSL will provide brokerage services, including trade execution and capital introduction services to the Arrano Alpha Fund. OSL and VSAL's blockchain arm, known as Arrano Capital, will also explore opportunities to jointly create digital asset products.

In April 2021, OSL Digital Securities, acted as the trade execution and custody partner for Hong Kong-listed Meitu, Inc. (HKEX: 1357) (Meitu) and facilitated a purchase of approximately 175 units of Bitcoin with a total value of USD10 million.

In line with the Group's commitment to business expansion and being an employer of choice, OSL in June announced six key senior hires across software-as-a-service, business development, operations and technology, including Mr. Colm Furlong as Head of SaaS (formerly of Fidessa), Mr. Arion Ho as Head of UK Exchange Operations, and Mr. Joe Zhou as Director of Business Development (both formerly of the Hong Kong Stock Exchange).

With growth during the Period at every level — from investors and customers, to the Company’s approach to regulatory compliance, and in terms of business model and strategy — OSL is now uniquely positioned as one of the most regulated and institutionally ready digital asset participants in the world.

Advertising and Business Park Area Management Services Business in Mainland China

The Group has two core Mainland China businesses, a business park area management services business and an advertising and marketing communications services business.

The Group’s business park area management services business provides operations and management services for commercial property in the Jingwei Park business park in Shanghai.

During the Period, rental income generated from the business park area management services segment was HK\$23.1 million, representing an increase of 22.6% compared to HK\$18.9 million in the first half of 2020. This was mainly attributable to the appreciation of exchange rates of RMB against HK\$ and the increment in rental income. The business park office space had a 100% occupancy rate in both periods. The business park is fully leased and occupied by a leading real estate and shared workspace company under a long-term agreement.

The Group’s advertising business includes the provision of professional and customised one-stop integrated marketing communication services to customers through diversified communication platforms comprising traditional advertising, digital advertising and roadshows. Traditional advertising includes outdoor, TV and print advertising while digital advertising mainly covers blogging and bulletin board sites. The Group’s major customers are from the automotive industry.

The Group’s advertising business reported HK\$15.7 million in revenue during the Period, representing an increase of 21.1% compared to HK\$13.0 million in the first half of 2020. However, as compared to second half of 2020, revenue declined by 8.1%, or HK\$1.4 million. This was the result of a continuous loss of customers projects due to keen competition, especially competition from the new on-line advertising medias. The Group will on one hand carefully review the business strategy of the advertising business going forward, but on the other hand continue to increase focus and resources on the digital asset business as a strategic and growth priority.

Prospects

Throughout the Period, the Group’s OSL digital asset platform business revenues increased in a robust and volatile market. The Group’s footprint also grew substantially through its partnership with Standard Chartered and SC Ventures in the UK and Europe, the addition of new platform clients, and by hiring key senior business leaders across OSL business units. This led to a more diversified customer base and provided further resiliency against potential business interruption due to the ongoing global pandemic. Progress made in the Period, particularly onboarding new clients and partners in the second quarter, has primed the business for growth in the second half of 2021 and beyond.

These gains were possible because of OSL's leading position as a Hong Kong-licensed entity and material investments made in the business to build operational scalability and technological resiliency.

Continuing the trend from previous reporting periods, OSL digital asset platform and SaaS revenues grew at a faster rate in the Period than the Group's advertising and business park area management services lines. The Group's rapidly growing SaaS business also demonstrates its potential to contribute as a material revenue driver in the near future. The nature of the Group's SaaS engagements are highly complex and represent long-term commitments from strategic partners.

In the post results period, the Group continued to successfully execute its geographic expansion strategy in the digital assets sector with the launch of the OSL Americas business. The Group is committed to growing in key markets in the near future, including in the UK.

The Group has proved itself as one of the few market participants willing to comply with new and emerging regulations and positioned itself to continue to win the trust of large financial institutions and institutional investors entering the market. The Group's Singapore license application is currently under review by the Monetary Authority of Singapore, and the Group is optimistic on the application's prospects for approval. Moving forward, the Group will pursue additional licenses and partnerships in key jurisdictions globally.

Further, the Group will continue to enhance its unique capabilities in technology, security, risk and compliance systems to meet emerging regulatory standards as well as the operational and technical requirements of existing and potential partners and counterparties. Accordingly, the Group has hired additional key senior staff who will onboard in the second half of 2021 with the aim of further growing OSL's leading position in the global digital asset market.

The Group believes that regulated firms will continue to gain market share as unlicensed competitors face increased pressure to adhere to a maturing regulatory framework. The transition to licenced entities is accelerating and has positioned the OSL digital asset platform to increase its client base, grow market share and generate revenue.

Looking forward, the Group will strengthen its efforts to diversify digital asset and SaaS revenue and expand its customer base in Hong Kong and other key jurisdictions where it has a competitive advantage. The Group will be conservative when pursuing growth opportunities in its advertising and business park management services business in Mainland China.

To support organic and inorganic growth and its working capital base, the Group is actively continuing to strengthen its financial resources through debt and equity.

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 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2021, 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 2020 Annual Report of the Company issued in April 2021.

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 2021.

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

Hong Kong, 17 August 2021

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