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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)

SUPPLEMENTAL INFORMATION TO THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

Reference is made to the interim results announcement of BC Technology Group Limited for the six months ended 30 June 2022 (the “**Interim Results Announcement**”) published on 25 August 2022. Unless otherwise specified, capitalised terms used in this announcement shall have the same meaning as those defined in the Interim Results Announcement.

The Board would like to provide the following supplemental information relating to the disclosures of non-IFRS measures in the Interim Results Announcement.

Non-IFRS measures

Total income of the Group represents (i) income from digital assets and blockchain platform business; (ii) revenue from advertising business; and (iii) rental income from business park area management services.

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 Group’s digital assets and blockchain platform business includes primarily over-the-counter digital asset trading business. It involves buying and selling digital assets from clients and counterparties. The Group’s proprietary digital assets are held to facilitate client digital asset trading activities and related settlement processes in connection with its digital assets trading business and not for any speculative trading purposes. When buy or sell orders are received from the client, the Group utilises the proprietary digital assets to facilitate the order execution and settlement. After that, the Group intends to replenish or dispose the digital assets to maintain a stable level of proprietary digital assets and market exposure as part of the conduct of its ordinary business.

During the six months ended 30 June 2022, digital asset market volatility increased significantly as compared to previous financial periods. The Group recognises net loss of digital assets used in facilitation of prime brokerage business of approximately HK\$92.2 million for the six months ended 30 June 2022 (1H2021: Net gain of approximately HK\$27.4 million) and net fair value loss on digital assets of approximately HK\$7.1 million for the six months ended 30 June 2022 (1H2021: Net fair value gain of approximately HK\$2.7 million). As the price volatility of digital assets may cause significant impact to the Group's operating performance, the Company considers it appropriate to supplement the unaudited condensed consolidated interim 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 Company considers that margin from trading digital assets, i.e., adjusted non-IFRS income (as defined below), can better reflect volumes of the Group's digital assets trading business. The unaudited condensed consolidated interim financial statements are presented in accordance with IFRS, with presentation of the adjusted non-IFRS income as an additional financial measure, which is not required by, or presented in accordance with, IFRS.

The Company defines adjusted non-IFRS income as income from digital assets and blockchain platform business adjusted for (i) net gain/loss of digital assets used in facilitation of prime brokerage business; and (ii) net fair value gain/loss on digital assets. Net gain/loss of digital assets used in facilitation of prime brokerage business is a realized gain/loss in nature and it is determined as the difference between the cost of the Group's proprietary digital assets and transaction price offered to the Group's clients based on the then market price in respect of each digital assets trading transaction during the six months ended 30 June 2022. Net fair value gain/loss on digital assets is an unrealized gain/loss in nature and it is determined as the difference between the carrying value and the fair value of the Group's proprietary digital assets on hand as at 30 June 2022.

The following table illustrates the total income presented in the Interim Results Announcement and should be presented under IFRS.

	Unaudited	
	For the six months	
	ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Per the Interim Results Announcement		
— Digital assets and blockchain platform business		
• Income from digital assets and blockchain platform business	104,902	83,871
• Net (loss)/gain of digital assets used in facilitation of prime brokerage business	(92,209)	27,396
• Net fair value (loss)/gain on digital assets	(7,056)	2,703
— Revenue from advertising business	7,981	15,711
— Rental income from business park area management services	<u>22,661</u>	<u>23,133</u>
	<u>36,279</u>	<u>152,814</u>

Unaudited
For the six months
ended 30 June
2022 **2021**
HK\$'000 *HK\$'000*

Presentation under IFRS

— Income from digital assets and blockchain platform business	5,637	113,970
— Revenue from advertising business	7,981	15,711
— Rental income from business park area management services	<u>22,661</u>	<u>23,133</u>
	<u>36,279</u>	<u>152,814</u>

The Company 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.

To ensure the presented information provides a clear and meaningful picture of the Group's business, the Interim Results Announcement included a footnote explaining the adjusted non-IFRS income on pages 1 and 17. The Interim Results Announcement has also explained the nature of the adjustment items, namely, net gain/loss of digital assets used in facilitation of prime brokerage business and net fair value gain/loss on digital assets in note 5 to the unaudited condensed consolidated interim financial statements on page 10.

This announcement is supplemental to and should be read in conjunction with the Interim Results Announcement. The above supplemental information does not affect other information contained in the Interim Results Announcement. Save as disclosed in this announcement, all other information contained in the Interim Results Announcement remains unchanged.

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

Hong Kong, 23 September 2022

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