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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL & OPERATIONAL HIGHLIGHTS

- Service fees from software-as-a-service (“SaaS”) of HK\$30.1 million, which increased 197.3% YoY from HK\$10.1 million
- Trading fee from automated trading service was HK\$13.4 million, up 97.1% YoY from HK\$6.8 million
- OSL total platform trading volume increased 48.9% YoY to HK\$455.9 billion from HK\$306.1 billion

The board (the “Board”) of directors (the “Directors”) of BC Technology Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022 (the “Year” or “FY2022”), together with the comparative figures for the previous year, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$’000	2021 HK\$’000 (Restated) (Note 1.1)
Continuing operations			
Income from principal activities:			
— Income from digital assets and blockchain platform business	5	71,480	277,675
— Rental income from business park area management services		44,365	46,663
		115,845	324,338
Cost of revenue		(23,310)	(24,567)
Other income		2,753	703
Other gains/(losses), net		30,824	(5,588)
Selling expenses		(55,813)	(88,180)
Administrative and other operating expenses		(573,983)	(530,387)
Provision for impairment losses on financial assets and contract assets, net		(3,747)	(2,176)
Operating loss		(507,431)	(325,857)
Finance income		1,854	6,568
Finance costs		(22,385)	(34,409)
Finance costs, net		(20,531)	(27,841)
Share of net post-tax loss of an associate accounted for using the equity method		(20,890)	(5,434)
Loss before income tax		(548,852)	(359,132)
Income tax expense	6	(1,257)	(1,455)
Loss from continuing operations		(550,109)	(360,587)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated) (Note 1.1)
Loss from continuing operations		<u>(550,109)</u>	<u>(360,587)</u>
Discontinued operations			
Profit/(loss) from discontinued operations		<u>141</u>	<u>(8,656)</u>
Loss for the year		<u>(549,968)</u>	<u>(369,243)</u>
Other comprehensive (loss)/income			
<i>Item 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		<u>(8,132)</u>	<u>10,387</u>
Total comprehensive loss for the year		<u><u>(558,100)</u></u>	<u><u>(358,856)</u></u>
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		<u>(541,179)</u>	<u>(367,019)</u>
— Profit/(loss) from discontinued operations		<u>141</u>	<u>(8,656)</u>
		<u>(541,038)</u>	<u>(375,675)</u>
Non-controlling interests			
— (Loss)/profit from continuing operations		<u>(8,930)</u>	<u>6,432</u>
		<u><u>(549,968)</u></u>	<u><u>(369,243)</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated) (Note 1.1)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (HK\$ per share)	8	(1.28)	(0.93)
Diluted (HK\$ per share)	8	(1.28)	(0.93)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (HK\$ per share)	8	(1.28)	(0.95)
Diluted (HK\$ per share)	8	(1.28)	(0.95)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		(548,777)	(356,826)
— Profit/(loss) from discontinued operations		107	(8,688)
		(548,670)	(365,514)
Non-controlling interests			
— (Loss)/profit from continuing operations		(9,430)	6,658
		(558,100)	(358,856)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		As at 31 December 2022	As at 31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		92,266	154,574
Intangible assets		72,794	90,021
Prepayments, deposits and other receivables		17,879	19,577
Investment accounted for using equity method		22,550	19,017
Financial assets at fair value through profit or loss		50,400	25,013
Deferred income tax assets		7,409	5,402
		<hr/>	<hr/>
Total non-current assets		263,298	313,604
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Digital assets	9	1,061,343	3,519,909
Contract assets		16,960	13,168
Trade receivables	10	21,938	121,755
Prepayments, deposits and other receivables		52,794	73,244
Cash held on behalf of licensed entity customers	11	88,809	282,560
Cash and cash equivalents		1,009,157	954,519
		<hr/>	<hr/>
Total current assets		2,251,001	4,965,155
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		2,514,299	5,278,759
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

		As at 31 December 2022 <i>Notes</i> HK\$'000	As at 31 December 2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deposits received and other payables		16,901	17,258
Lease liabilities		64,481	112,587
Deferred income tax liabilities		6,169	7,858
		<hr/>	<hr/>
Total non-current liabilities		87,551	137,703
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	<i>12</i>	22,564	49,809
Contract liabilities		28,621	20,185
Accruals and other payables		60,904	116,809
Collateral payables		–	77,727
Liabilities due to customers	<i>13</i>	1,574,062	3,516,123
Lease liabilities		42,373	43,493
Borrowings		32,895	119,100
Current income tax liabilities		6,030	6,667
		<hr/>	<hr/>
Total current liabilities		1,767,449	3,949,913
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		1,855,000	4,087,616
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

		As at	As at
		31 December	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	<i>14</i>	4,385	4,233
Other reserves		2,388,866	2,371,575
Accumulated losses		(1,721,148)	(1,181,291)
		672,103	1,194,517
Non-controlling interests		(12,804)	(3,374)
Total equity		659,299	1,191,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the digital assets and blockchain platform business in Hong Kong and Singapore, and the provision for traditional advertising and business park area management services in Mainland China.

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

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

The consolidated 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. Prior to the year ended 31 December 2022, the Group ceased the operations of the traditional advertising segment, and the deregistration process of the above subsidiaries were subsequently completed in February 2023. Consequently, the entire traditional advertising business, which was historically presented as a separate segment, is reported in the current period as discontinued operations. Accordingly, certain comparative figures related to the discontinued operations have been restated in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards (“IFRSs”) and Hong Kong Companies Ordinance (“HKCO”)

The consolidated financial statements of the Group have been prepared in accordance with IFRSs and the disclosure requirements of HKCO Cap. 622. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(b) Historical cost convention

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

(c) *Amendments to standards and interpretation adopted by the Group*

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

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

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

(d) *New amendments to standards and accounting guideline not yet adopted*

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

		Effective for accounting periods beginning on or after
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be determined

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

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 this decision was made, the CODM did not separately review the results of the traditional advertising business, which is presented as discontinued operations for the preparation of the consolidated financial statements for the year.

The Group has the following reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

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

(a) For the year ended 31 December 2022

	Digital assets and blockchain platform business HK\$'000	Business park area management HK\$'000	Unallocated HK\$'000	Total HK\$'000
Results				
Continuing operations				
Income from other sources:				
Trading of digital assets and net fair value loss on digital assets (Note 5)	20,894	-	-	20,894
Rental income from business park area management services	-	44,365	-	44,365
Revenue from contracts with customers:				
Service fee from SaaS (Note 5)	30,070	-	-	30,070
Trading fee from automated trading service (Note 5)	13,359	-	-	13,359
Income from custodian services and other revenues (Note 5)	7,157	-	-	7,157
Segment results	70,165	22,370	-	92,535
Finance income	264	407	1,183	1,854
Finance costs	(2,632)	(9,743)	(10,010)	(22,385)
Fair value changes of financial assets at fair value through profit or loss	-	-	25,522	25,522
Provision for impairment losses on financial assets and contract assets, net	(3,747)	-	-	(3,747)
Share of net post-tax loss of an associate accounted for using the equity method	(20,890)	-	-	(20,890)
Other expenses (Note (ii))	(591,800)	(2,273)	(27,668)	(621,741)
(Loss)/profit before income tax	(548,640)	10,761	(10,973)	(548,852)
Income tax expense	(496)	(761)	-	(1,257)
(Loss)/profit from continuing operations	(549,136)	10,000	(10,973)	(550,109)
Discontinued operations				
Profit from discontinued operations				141
Loss for the year				(549,968)
Assets and liabilities				
Reportable segment assets (Note (iii))	2,121,236	131,029	224,862	2,477,127
Assets related to discontinued operations				37,172
Total assets				2,514,299
Reportable segment liabilities (Note (iii))	1,638,634	85,879	123,177	1,847,690
Liabilities related to discontinued operations				7,310
Total liabilities				1,855,000
Other segment information				
Depreciation and amortisation				
— From continuing operations	10,257	20,928	29,215	60,400
— From discontinued operations				335
				60,735

(b) For the year ended 31 December 2021 (Restated (Note 1.1))

	Digital assets and blockchain platform business HK\$'000	Business park area management HK\$'000	Unallocated HK\$'000	Total HK\$'000
Results				
Continuing operations				
Income from other sources:				
Trading of digital assets and net fair value loss on digital assets (Note 5)	252,250	–	–	252,250
Rental income from business park area management services	–	46,663	–	46,663
Revenue from contracts with customers:				
Service fee from SaaS (Note 5)	10,114	–	–	10,114
Trading fee from automated trading service (Note 5)	6,778	–	–	6,778
Income from custodian services and other revenues (Note 5)	8,533	–	–	8,533
Segment results	276,079	23,692	–	299,771
Finance income	43	227	6,298	6,568
Finance costs	(5,186)	(11,978)	(17,245)	(34,409)
Provision for impairment losses on financial assets and contract assets, net	(2,176)	–	–	(2,176)
Share of net post-tax loss of an associate accounted for using the equity method	(5,434)	–	–	(5,434)
Other expenses (Note (ii))	(438,738)	(4,894)	(179,820)	(623,452)
(Loss)/profit before income tax	(175,412)	7,047	(190,767)	(359,132)
Income tax expense	–	(1,455)	–	(1,455)
(Loss)/profit from continuing operations	(175,412)	5,592	(190,767)	(360,587)
Discontinued operations				
Loss from discontinued operations				(8,656)
Loss for the year				(369,243)
Assets and liabilities				
Reportable segment assets (Note (iii))	4,881,203	153,646	193,945	5,228,794
Assets related to discontinued operations				49,965
Total assets				5,278,759
Reportable segment liabilities (Note (iii))	3,763,793	115,392	192,239	4,071,424
Liabilities related to discontinued operations				16,192
Total liabilities				4,087,616
Other segment information				
Depreciation and amortisation				
— From continuing operations	9,783	21,735	30,005	61,523
— From discontinued operations				726
				62,249

Notes:

- (i) All income was generated from external customers. There were no sales or other transactions between the business segments for the years ended 31 December 2022 and 2021.
- (ii) Unallocated expenses mainly include salaries, rental expenses, consultancy and professional fees for head office.
- (iii) Unallocated assets are mainly financial assets at fair value through profit or loss and cash and cash equivalents held by head office. Unallocated liabilities are mainly lease liabilities, borrowings and accruals for head office.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

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

5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from digital assets and blockchain platform business:		
Trading of digital assets (<i>Note (a)</i>)	24,295	263,721
Net fair value loss on digital assets (<i>Note (a)</i>)	(3,401)	(11,471)
Service fee from SaaS	30,070	10,114
Trading fee from automated trading service	13,359	6,778
Income from custodian services	5,052	4,781
Others	2,105	3,752
	<u>71,480</u>	<u>277,675</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% (2021: 25%) on the estimated assessable profits for the year. The corporate income tax in the United Kingdom ("UK") has been provided at the rate of 19% on the estimated assessable profits for the year. Income tax on profits assessable outside Mainland China and 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 year ended 31 December 2022 (2021: same).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated) (Note 1.1)
Current income tax expense:		
People's Republic of China ("PRC") corporate income tax	4,548	3,619
UK corporate income tax	496	–
Deferred income tax credit	<u>(3,787)</u>	<u>(2,164)</u>
Total income tax expense for the year from continuing operations	1,257	1,455
Total income tax credit for the year from discontinued operations	<u>–</u>	<u>(20)</u>
	<u><u>1,257</u></u>	<u><u>1,435</u></u>

7 DIVIDENDS

The Directors did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: 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:

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss from continuing and discontinued operations:		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u><u>541,038</u></u>	<u><u>375,675</u></u>

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

	<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)	(1.28)	(0.93)
Diluted (per share)	<u><u>(1.28)</u></u>	<u><u>(0.93)</u></u>
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (per share)	(1.28)	(0.95)
Diluted (per share)	<u><u>(1.28)</u></u>	<u><u>(0.95)</u></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 year.

For the years ended 31 December 2022, the Company had two categories of potential ordinary shares: share options and share awards (2021: three categories of potential ordinary shares: share options, share awards and a warrant). Diluted loss per share presented is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

9 DIGITAL ASSETS

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

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

Among the digital assets balance, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK\$903,032,000 (2021: HK\$2,798,874,000) (*Note* 13). It also included the Group's proprietary digital assets of approximately HK\$158,311,000 (2021: HK\$721,035,000). The balance is measured at fair value through profit or loss.

As at 31 December 2022, there were certain digital assets with fair value of approximately HK\$251,365,000 (2021:HK\$523,699,000) received from and held on behalf of clients by OSL 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 Client Terms and Conditions entered between OSL DS and its clients ("OSL DS Client T&C"), these digital assets held in segregated wallets are not recognised as the Group's digital assets and hence these are no corresponding digital asset liabilities under these arrangements.

10 TRADE RECEIVABLES

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

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

For the advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and further grants a credit term of generally 30 to 60 days (2021: same) after the invoice date, while prepayments from customers for provision of business park area management services are generally required.

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

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

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

11 CASH HELD ON BEHALF OF LICENSED ENTITY CUSTOMERS

OSL DS maintains segregated bank accounts to hold cash on behalf of its customers arising from its normal course of business. Based on the OSL DS Client T&C, it is agreed that OSL DS will not pay interest to the clients for the fiat currency that it receives from or holds for the clients. OSL DS has the contractual right to retain any bank interest income arising from holding the client's fiat currency. Accordingly, the client fiat currency received and held at the segregated bank accounts is presented on the Group's 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 (2021: same).

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

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

13 LIABILITIES DUE TO CUSTOMERS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	88,809	282,554
— Others	582,221	434,695
— Digital asset liabilities	903,032	2,798,874
	<u>1,574,062</u>	<u>3,516,123</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 fair value of approximately HK\$251,365,000 as at 31 December 2022 (2021: HK\$523,699,000), they are kept in segregated wallets and are not recognised as the Group's digital assets and hence no corresponding digital asset liabilities under these arrangements.

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

14 SHARE CAPITAL

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

Notes:

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

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

During the year ended 31 December 2021, the Company issued 2,720,860 new shares at HK\$0.01 for each share to the Trustee for the awarded shares granted on 27 January 2021 and 8 October 2021 respectively, pursuant to the 2018 Share Award Plan, to recognise and reward the contribution of the Directors and employees providing services to the Group, as well as consultants for providing similar services as the employees to the Group. The Board applied HK\$27,000 in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.

- (c) On 5 September 2022, J Digital 5 LLC exercised the conversion right to fully convert the warrant into 11,526,270 ordinary shares of the Company at HK\$0.01 par value per share. Consequently, HK\$115,000 was credited to share capital and HK\$153,184,000 was credited to share premium.
- (d) During the year ended 31 December 2021, 6,953,091 share options were exercised by the employees providing services to the Group, as well as consultants for providing similar services as the employees to the Group. Consequently, HK\$70,000 was credited to share capital and HK\$84,365,000 was credited to share premium.

15 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 25 October 2022, the Group announced that two wholly owned subsidiaries of the Group, Shanghai SumZone Marketing Co, Ltd. (上海三眾營銷策劃有限公司) and Shanghai SumZone Advertising Co., Ltd. (上海三眾廣告有限公司), would cease to operate. These subsidiaries were subsequently deregistered in accordance with the applicable laws and regulations in the Mainland China on 21 February 2023 and 16 January 2023 respectively. They were principally engaged in the provision of traditional advertising services, public relations services and event marketing services in Mainland China. The deregistration does not have significant financial impact to the consolidated financial statements for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND MATERIAL EVENTS

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

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

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

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

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

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

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

REVIEW OF RESULTS

Overall Performance

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

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

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

Non-IFRS Measures

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

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

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

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

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

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

	Audited	
	For the years ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Income from digital assets and blockchain platform business	71,480	277,675
Rental income from business park area management services	44,365	46,663
Group's IFRS income	115,845	324,338
	For the years ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
Income from digital assets and blockchain platform business in accordance with IFRS (per above)	71,480	277,675
Add back:		
Net fair value loss on digital assets	3,401	11,471
Net loss/(gain) of digital assets used in facilitation of prime brokerage business (unaudited)	108,309	(100,717)
Adjusted non-IFRS income from digital assets and blockchain platform business (unaudited)	183,190	188,429
Rental income from business park area management services (per above)	44,365	46,663
Group's adjusted non-IFRS income (unaudited)	227,555	235,092

The OSL Digital Assets Platform

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

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

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

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

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

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

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

Mainland China-based Businesses

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

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

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

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

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

Selling Expenses

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

Administrative and Other Operating Expenses

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

Net Loss

Net loss of the Group for the Year was HK\$550.1 million, an increase of HK\$189.5 million as compared with HK\$360.6 million for FY2021. Despite fair value gains from financial assets for the Year, the increase in net loss was primarily due to the loss of digital assets held by the Group used in facilitation of prime brokerage business, the expansion of the Group's digital assets and blockchain platform business globally, and the increase in share of loss of an associate.

Human Resources Cost

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

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

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

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

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

PROSPECTS

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

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

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

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

The Group's cash position, after deduction of cash liabilities due to clients, as at 31 December 2022 was HK\$426.9 million (31 December 2021: HK\$519.8 million). Balance of the Group's proprietary digital assets dropped from HK\$721.0 million as of 31 December 2021 to HK\$158.3 million as of 31 December 2022 given a significant decline in the market value of crypto currencies in FY2022.

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

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

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

Treasury Policy

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

For operations in Hong Kong, most of the transactions are denominated in HKD and USD. The exchange rate of USD against HKD is relatively stable, and the related currency exchange risk is minimal. For operations in Mainland China, most of the transactions are settled in RMB, and the impact of foreign exchange exposure to the Group is negligible. The digital assets trading transactions are mainly denominated in USD with only some local operating expenses being settled in the currencies with respective countries, any related exposures as such to foreign exchange risk are minimal.

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

Material Acquisitions and Disposals of Subsidiaries

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries (2021: Nil).

Charge on the Group's Assets

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

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

In June 2021, BC HoldCo I Limited, a wholly-owned subsidiary of the Company, entered into agreements with an independent third party in relation to the subscription of 24.99% equity interest in Zodia Markets, which was a new entity incorporated in the UK. As at 31 December 2022, the Group's total commitment contracted but not provided for was an assignment of an intellectual property.

Contingent Liabilities

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

RISK DISCLOSURES

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

(a) Business Development and the Associated Risks in 2022

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

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

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

(i) Regulatory Risk in Relevant Jurisdictions

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

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

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

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

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

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

To manage the enhanced risks and compliance frameworks associated with licensing, the Group continues to be supported by a strong team of experienced legal, risk and compliance professionals, who are responsible for oversight of all business activities with respect to prevailing and potential regulatory frameworks applicable to the Group.

As a consequence of the operational resources, system requirements, staffing requirements and capital costs associated with operating licensed or regulated digital assets businesses, the operating costs of the Group may increase. However, the Group believes that regulated and compliant businesses represent the current and future direction of the digital assets industry as it develops and matures to meet the needs of traditional financial institutions and increasing regulatory oversight.

(ii) Price Risk of Digital Assets

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

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

(iii) Risks Related to Safekeeping of Assets

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

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

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

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

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

(v) Technology Leakage Risk

The Group’s key competitive advantage lies in its blockchain-related technology IP and trade secrets. Should its IP and trade secrets be compromised, the Group could face risks in its ability to remain competitive and execute its strategy.

Technology leakage risks are mitigated by controls of information, limited access rights for all staff, ability to defend against intrusion into the Group’s technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information Security Risks

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

To mitigate such risks, the Group's dedicated security team has implemented security controls including but not limited to multi-factor authentication, data and network segregation, system redundancy and encrypted backups, segregation of duties, least privilege access principle, robust data access management, event monitoring and incident response.

(vii) New Product Risk

Prior to the deployment and release of new products and businesses to the Group's clients, every such new activity passes through a rigorous review process. The Group's New Product Committee reviews each proposal against business capability, impact on balance sheet as well as analyses the suite of risks that are typically inherent in such activities; particular attention is paid to operational risk, legal risk, regulatory risk, market, credit and liquidity risk. Approval to proceed with a proposed business or product will only be forthcoming once the Group's New Product Committee is satisfied that all necessary controls and support function processes are fully implemented.

(viii) Credit Risk

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

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

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

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

(ix) Business Continuity

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

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

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

(x) Operational Risk

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

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

(xi) Performance Risk

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

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

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

(xii) Investment Risk

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

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

The Board has resolved not to recommend a final dividend in respect of the Year to the holders of the ordinary shares of the Company (2021: Nil).

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT OPINION

The auditor of the Group issued an opinion with an emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the Independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" below. For the details of "Notes 3.1 and 3.2 to the consolidated financial statements" referred to in the section of "Emphasis of Matter" below, please refer to the "Risk Disclosures" in the section of "BUSINESS REVIEW AND PROSPECT" in this announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter

We draw attention to Notes 3.1 and 3.2 to the consolidated financial statements, which describe the risks and uncertainties with respect to blockchain technology and the evolving nature of the digital asset markets. The currently fast developing nature of digital asset markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the digital assets and blockchain platform business of the Group to unique risks. These conditions in our view are of such importance that they are fundamental to users' understanding of the Group's digital assets and blockchain platform business and the consolidated financial statements. Our opinion is not modified in respect of this matter.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, each of the Directors confirmed that he has complied with the required standards as set out in the Model Code throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2022. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal controls. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict. The Audit Committee has adopted the terms of reference which are in line with the CG Code.

During the Year, the Audit Committee has reviewed with the management team and PricewaterhouseCoopers, the external auditor of the Company, the accounting principles and practices adopted by the Group and discussed matters regarding auditing, internal control, risk management and financial reporting, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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

Hong Kong, 28 March 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.