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OSL Group Limited

OSL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 2024**

FINANCIAL HIGHLIGHTS

- The Group's IFRS income from digital assets and blockchain platform business was HK\$123.8 million, up by 17.7% on year-over-year ("YoY") from HK\$105.2 million
- The loss from continuing operations was significantly reduced by 90.2% to HK\$9.6 million YoY from HK\$98.9 million

The board (the “**Board**”) of directors (the “**Directors**”) of OSL 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 2024 (the “**Period**” or “**1H2024**”), together with the comparative figures for the corresponding period in 2023 (“**1H2023**”). The condensed consolidated interim financial information is unaudited but has 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>	2024	2023
		HK\$’000	HK\$’000
			(Represented)
			<i>(Note 1.1)</i>
Continuing operations			
Income from digital assets and blockchain platform business	5	123,789	105,217
Other gains, net		16,244	1,524
Other income		75	163
Fee and commission expenses		(3,667)	(14,040)
Staff costs	6(c)	(82,129)	(90,951)
IT costs		(13,661)	(24,609)
Depreciation and amortisation	6(a)	(14,664)	(19,683)
Other operating expenses	6(b)	(40,068)	(43,748)
Provision for impairment losses on financial assets, net		(1,333)	(1,215)
		(15,414)	(87,342)
Operating loss		(15,414)	(87,342)
Finance income		10,348	2,212
Finance costs		(1,753)	(3,859)
Finance income/(costs), net		8,595	(1,647)
Share of net post-tax loss of an associate accounted for using the equity method		(2,777)	(9,544)
Loss before income tax		(9,596)	(98,533)
Income tax expense	7	(47)	(323)
Loss from continuing operations		(9,643)	(98,856)

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

	Unaudited	
	For the six months ended	
	30 June	
<i>Notes</i>	2024	2023
	HK\$'000	HK\$'000
		(Represented)
		(Note 1.1)
Loss from continuing operations	(9,643)	(98,856)
Discontinued operations		
(Loss)/profit from discontinued operations	(8,254)	4,114
Loss for the period	(17,897)	(94,742)
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences on translation of operations with a functional currency different from the Company's presentation currency	(2,916)	(3,504)
Reclassification of profit or loss on disposal of a subsidiary in the discontinued operations	8,254	–
Other comprehensive income/(loss) for the period	5,338	(3,504)
Total comprehensive loss for the period	(12,559)	(98,246)
Loss for the period attributable to:		
Owners of the Company		
— Loss from continuing operations	(9,720)	(98,655)
— (Loss)/profit from discontinued operations	(8,254)	3,703
	(17,974)	(94,952)
Non-controlling interests		
— Profit/(loss) from continuing operations	77	(201)
— Profit from discontinued operations	–	411
	(17,897)	(94,742)

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

		Unaudited	
		For the six months ended	
		30 June	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
			(Represented)
			(Note 1.1)
Total comprehensive loss for the period attributable to:			
Owners of the Company			
— Loss from continuing operations		(12,085)	(100,101)
— (Loss)/income from discontinued operations		(485)	1,920
		(12,570)	(98,181)
Non-controlling interests			
— Income/(loss) from continuing operations		66	(278)
— (Loss)/income from discontinued operations		(55)	213
		(12,559)	(98,246)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (<i>HK\$ per share</i>)	9	(0.02)	(0.23)
Diluted (<i>HK\$ per share</i>)	9	(0.02)	(0.23)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (<i>HK\$ per share</i>)	9	(0.03)	(0.22)
Diluted (<i>HK\$ per share</i>)	9	(0.03)	(0.22)

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
		As at	As at
		30 June	31 December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		31,342	10,059
Intangible assets		32,935	37,646
Prepayments, deposits and other receivables		5,151	–
Investment accounted for using equity method		20,029	15,520
Financial assets at fair value through profit or loss		15,812	14,334
		<u>105,269</u>	<u>77,559</u>
Total non-current assets		<u>105,269</u>	<u>77,559</u>
Current assets			
Digital assets	<i>10</i>	438,007	823,700
Contract assets		4,033	308
Trade receivables	<i>11</i>	28,006	3,114
Prepayments, deposits and other receivables		36,946	34,610
Cash held on behalf of licensed entity's customers	<i>12</i>	538,789	191,006
Cash and cash equivalents		763,677	218,657
		<u>1,809,458</u>	<u>1,271,395</u>
Assets classified as held for sale		–	91,832
Total current assets		<u>1,809,458</u>	<u>1,363,227</u>
Total assets		<u>1,914,727</u>	<u>1,440,786</u>
LIABILITIES			
Non-current liabilities			
Deposits received and other payables		6,081	–
Lease liabilities		18,366	–
Total non-current liabilities		<u>24,447</u>	<u>–</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	<i>13</i>	1,847	5,061
Contract liabilities		11,688	9,813
Accruals and other payables		36,999	65,515
Liabilities due to customers	<i>14</i>	732,627	883,779
Lease liabilities		12,287	17,348
Current income tax liabilities		201	135
		795,649	981,651
Liabilities directly associated with assets classified as held for sale		–	64,045
Total current liabilities		795,649	1,045,696
Total liabilities		820,096	1,045,696
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	6,264	4,385
Other reserves		3,103,010	2,388,653
Accumulated losses		(1,995,455)	(1,981,294)
		1,113,819	411,744
Non-controlling interests		(19,188)	(16,654)
Total equity		1,094,631	395,090

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

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.

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 4 January 2024, the English name of the Company has been changed from “BC Technology Group Limited” to “OSL Group Limited”, and the dual foreign name of the Company in Chinese has been changed from “BC科技集團有限公司” to “OSL集團有限公司”. The relevant registration procedures in the Cayman Islands and Hong Kong have been completed on 5 January 2024 and 24 January 2024 respectively.

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

1.1 Discontinued operations of the traditional advertising and business park area management segments

On 25 October 2022, the Group announced that the two indirect 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.

On 12 November 2023, the Group entered into the equity transfer agreement to sell its equity interests in Shanghai Jingwei Enterprise Development Co., Ltd (上海憬威企業發展有限公司) (“**Shanghai Jingwei**”), a 90% owned subsidiary in Mainland China which represented the Group’s business park area management segment, to an independent third party. The completion of such transaction was conditional upon the passing of the requisite resolutions by the shareholders at the extraordinary general meeting, receipt of transaction consideration and completion of all administrative procedures according to local laws and regulation. Such resolution was passed subsequently on 17 January 2024, and the disposal of Shanghai Jingwei was completed in March 2024.

Consequently, the entire traditional advertising and business park area management businesses are reported as discontinued operations in the Group's unaudited condensed consolidated interim financial information during the periods ended 30 June 2023 and 30 June 2024.

In accordance with International Financial Reporting Standard (“IFRS”) 5 “Non-current Assets Held for Sale and Discontinued Operations”, the financial results of these segments for the periods ended 30 June 2024 and 2023 were presented as a (loss)/profit for discontinued operations in the Group's unaudited condensed consolidated statement of profit or loss. Certain comparative amounts of discontinued operations have been reclassified to conform with current year presentation.

In addition, the Group previously presented the analysis of profit or loss items recognised in the unaudited condensed consolidated statement of profit or loss based on their function. In view of the completion of the disposal of the business park area management segment, the Group revised its accounting policy to present the analysis of expenses based on their nature to effectively assess the operation of the Group by focusing on analysing the nature and fluctuation on each major operation cost and identifying corresponding cost control opportunities with effect from 1 January 2024. This change provides more relevant information to the users of the financial statements by enhancing the comparability of the Group's unaudited condensed consolidated interim financial information with those of its peers through alignment with the industry practice of financial institutions. The changes in presentation have been adopted retrospectively, and certain comparative figures have been represented.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information has been prepared on a historical cost basis, except for digital assets, liabilities due to customers, financial assets at fair value through profit or loss, which are measured on fair value basis. The non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

The unaudited condensed consolidated interim financial information contains selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2023. 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 2023 (the “2023 Annual Financial Statements”), which have been prepared in accordance with the IFRSs. The condensed consolidated interim financial information is unaudited but has been reviewed by the Audit Committee.

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial information of the Group for the period are consistent with those applied in the 2023 Annual Financial Statements except for the adoption of amendments to standards and accounting guideline as set out below.

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

The Group has applied the following amendments to standards and accounting guideline for the first time for their reporting period commencing on 1 January 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

(b) New amendments to standards not yet adopted

Certain new amendments to standards have been published that are not mandatory for financial year beginning on 1 January 2024 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
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 (“CODM”) of the Group has been identified as the executive directors of the Company. The executive directors regularly review income and operating results derived from different segments. On 12 November 2023, the Group entered into the equity transfer agreement to sell its equity interests in Shanghai Jingwei, and therefore reported Shanghai Jingwei and the related entities, which were previously reported under “business park area management segment”, as discontinued operations in the current period. For the purpose of internal reporting and management’s operation review, the CODM considered that the Group’s businesses are operated and managed as one single segment, which is digital assets and blockchain platform business, and no separate segment information was presented for the period ended 30 June 2024. (2023: The Group had two reportable segments: digital assets and blockchain platform business, and business park area management. The segments are managed separately as each business offers different services and requires different business strategies.)

Information about major clients

Revenue from a client from digital assets and blockchain platform business individually contributing over 10% of the Group’s income is set out below:

	Unaudited For the six months ended 30 June	
	2024 HK\$’000	2023 HK\$’000
Customer A	<u>15,236</u>	<u>N/A</u>

4 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

	Unaudited For the six months ended 30 June	
	2024 HK\$’000	2023 HK\$’000
From continuing operations		
Recognised over time:		
Service fee income from SaaS (Note 5)	25,312	15,046
Others (Note 5)	4,757	3,372
Recognised at a point of time:		
Trading fee from automated trading service (Note 5)	4,170	5,597

5 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
From continuing operations		
Income from digital assets and blockchain platform business:		
Trading of digital assets (<i>Note (a)</i>)	96,311	71,631
Net fair value (loss)/gain on digital assets (<i>Note (a)</i>)	(6,761)	9,571
Service fee income from SaaS	25,312	15,046
Trading fee from automated trading service	4,170	5,597
Others	4,757	3,372
	<u>123,789</u>	<u>105,217</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 OPERATING EXPENSES

(a) Depreciation and amortisation

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
From continuing operations		
Amortisation of intangible assets	4,711	4,744
Depreciation of property, plant and equipment (excluding right-of-use assets)	1,594	4,404
Depreciation of right-of-use assets	8,359	10,535
	<u>14,664</u>	<u>19,683</u>

(b) Other operating expenses

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
		(Represented)
		(Note 1.1)
From continuing operations		
Auditor's remuneration	5,999	6,745
Consultancy fee (excluding share-based payments)	4,896	3,287
Cost of revenue relating to provision of SaaS	–	594
Expense relating to short-term leases	4,101	6,029
Insurance	7,042	7,802
Legal and professional fees	6,689	4,829
Operating outsource expenses	3,760	4,391
Travelling expenses	1,134	1,419
Others	6,447	8,652
	<u>40,068</u>	<u>43,748</u>

- (c) Staff costs included defined contribution pension plans of approximately HK\$2,067,000 (30 June 2023: HK\$3,880,000). As at 30 June 2024, there were no forfeited contributions available to offset future retirement benefit obligations to the Group (31 December 2023: same).

7 INCOME TAX EXPENSE

Taxation has been provided at the appropriate rates prevailing in the jurisdictions in which the Group operates, which mainly include Hong Kong, Singapore and the United Kingdom (“UK”). The corporate income tax in the UK has been provided at the rate of 25% (30 June 2023: 25%) on the estimated assessable profits for the period.

No provision for Hong Kong profits tax and Singapore corporate income tax have been made as the Group did not generate any assessable profit arising in Hong Kong and Singapore during the period ended 30 June 2024 (30 June 2023: same).

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	
	2024	2023
	HK\$'000	HK\$'000
		(Represented)
		<i>(Note 1.1)</i>
From continuing operations		
Current income tax expense:		
UK corporate income tax	<u>47</u>	<u>323</u>
Income tax expense from continuing operations	<u><u>47</u></u>	<u><u>323</u></u>
Discontinued operations		
Current income tax expense:		
People's Republic of China corporate income tax	–	1,941
Deferred income tax expense	<u>–</u>	<u>77</u>
Income tax expense from discontinued operations	<u>–</u>	<u>2,018</u>
Total income tax expense from continuing and discontinued operations	<u><u>47</u></u>	<u><u>2,341</u></u>

8 DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2024 (30 June 2023: same).

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period (30 June 2023: same).

For the period ended 30 June 2024, the Company had two categories of potential ordinary shares: share options and share awards (30 June 2023: same). 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.

10 DIGITAL ASSETS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Digital assets:		
— Held in own wallets of the Group	437,039	822,627
— Digital assets held on exchange institutions (<i>Note</i>)	968	1,073
	438,007	823,700

Among the digital asset balances, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK\$179,034,000 (31 December 2023: HK\$639,136,000) (Note 14). It also included the Group's proprietary digital assets of approximately HK\$258,973,000 (31 December 2023: HK\$184,564,000). The balance is measured at fair value through profit or loss.

As at 30 June 2024, there were certain digital assets with fair value of approximately HK\$3,612,038,000 (31 December 2023: HK\$874,731,000) 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 OSL Custody Services Limited (formerly known as 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 there are no corresponding digital asset liabilities under these arrangements. OSL DS also holds certain digital assets in its own wallets for facilitating the trading flow with its customers.

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.

11 TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Trade receivables from digital assets and blockchain platform business	30,745	4,520
Less: loss allowance	(2,739)	(1,406)
	<u>28,006</u>	<u>3,114</u>

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

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

At 30 June 2024 and 31 December 2023, the ageing analysis of the Group's trade receivables, based on trade date and invoice date, were as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
0–30 days	27,778	2,373
31–90 days	–	493
91–180 days	–	248
181–365 days	228	–
	<u>28,006</u>	<u>3,114</u>

12 CASH HELD ON BEHALF OF LICENSED ENTITY'S CUSTOMERS

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

13 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 1–30 days (31 December 2023: 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, were as follows:

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
0–30 days	<u>1,847</u>	<u>5,061</u>

14 LIABILITIES DUE TO CUSTOMERS

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	539,769	191,006
— Others	13,824	53,637
— Digital asset liabilities (<i>Note 10</i>)	<u>179,034</u>	<u>639,136</u>
	<u>732,627</u>	<u>883,779</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\$3,612,038,000 as at 30 June 2024 (31 December 2023: HK\$874,731,000), they are kept in segregated wallets and are not recognised as the Group's digital assets and hence there are no corresponding digital asset liabilities under these arrangements.

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

15 SHARE CAPITAL

	Unaudited As at 30 June 2024		Audited As at 31 December 2023	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each at 1 January 2023, 31 December 2023 and 30 June 2024	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid:				
At the beginning of the period/year	438,453,184	4,385	438,453,184	4,385
Issuance of new shares (<i>Note (a)</i>)	187,600,000	1,876	–	–
Exercise of shares option (<i>Note (b)</i>)	300,000	3	–	–
At the end of the period/year	626,353,184	6,264	438,453,184	4,385

Notes:

- (a) On 12 January 2024, the Company allotted and issued a total of 187,600,000 new shares at a subscription price of HK\$3.80 per new share to the Subscriber, BGX Group Holding Limited, pursuant to the terms and conditions of the subscription agreement. Upon the issuance of the shares, HK\$1,876,000 was credited to share capital and HK\$709,886,000 was credited to share premium.
- (b) During the period ended 30 June 2024, 300,000 share options were exercised by the employee providing services to the Group. Consequently, HK\$3,000 was credited to share capital and HK\$3,301,000 was credited to share premium.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In the first half of 2024, Bitcoin’s price reached a new high in mid-March, which boosted the optimism sentiment in the investment market and led to a significant increase in global digital asset trading volumes compared to last year. With the launch of spot digital asset exchange-traded funds (“**ETF**”) and a stablecoin sandbox, Hong Kong’s digital asset industry has taken a solid step towards becoming a world-leading digital asset trading center. As a leading digital asset platform in Hong Kong, the Group has fully leveraged market opportunities in the first half of this year after obtaining strategic investment to reinforce its leadership position.

Spot Digital Asset ETF Business

On 15 April 2024, OSL DS, a leading digital asset trading platform under the Group, was appointed by China Asset Management (Hong Kong) and Harvest Global Investments as the digital asset trading platform and sub-custodian for their first Bitcoin and Ethereum spot ETF. This support for Hong Kong’s first spot digital asset ETF reflects the Group’s comprehensive capabilities in financial innovation within the digital asset industry. The Group’s robust infrastructure ensures a secure and reliable trading and custodial environment for digital asset ETF, safeguarding the underlying assets.

We believe that digital asset ETF will serve as foundational financial infrastructure linking the digital asset industry with traditional finance. Digital asset ETF provide traditional finance investors with a convenient way to participate in the digital asset market, introducing more liquidity and potential growth opportunities to Hong Kong’s digital asset market. Additionally, the successful listing of digital asset ETF is expected to encourage more Hong Kong financial companies to innovate in the digital asset field and offer better services to investors, ultimately promoting Hong Kong’s development into a global leading digital asset center and supporting the industry’s long-term sustainable growth.

High Standards in Security and Compliance Services

In March 2024, the Group announced the extension of the validity period for its SOC 2 Type 2 report, transitioning to semi-annual releases. This demonstrates our mature information security management system and stringent internal control processes, highlighting our commitment to customer data protection, system stability, and transaction security, and underscoring our dedication to meeting the highest standards of security and compliance in the digital asset sector.

On 19 April 2024, OSL DS, the digital asset platform, was the first to be granted a license under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) in Hong Kong. This reflects the Group’s proactive response to and support for a high-standard regulatory environment and is the results of our long-term commitment to creating a transparent, secure, and trustworthy digital asset trading environment. We understand that in the rapidly evolving digital asset industry, compliance is fundamental to sustainable development. Therefore, we always prioritize compliance, continuously optimize internal control processes, and strengthen our risk management system to ensure our operations meet Hong Kong’s regulatory and compliance standards. In the future, we will continue to uphold the principle of compliance-first and steady development, setting a clear compliance benchmark in the digital asset field and leading the industry towards a healthy and orderly direction.

On 28 May 2024, the SFC announced that the transitional period under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) for virtual asset trading platforms (VATPs) operating in Hong Kong has ended on 1 June 2024. All virtual asset trading platforms operating in Hong Kong must be licensed by the SFC under the AMLO or apply as “deemed licensed” platforms.

Inclusion in the MSCI Hong Kong Index

Effective after the close of trading on 31 May 2024, the Group was added to the MSCI Hong Kong Index, a globally recognized index, that marks the capital market’s recognition of the digital asset industry’s development and affirms the comprehensive strength and leading position of the Group as a leading digital asset platform. This inclusion will garner broader attention for the Group globally. We believe that by executing the Group’s strategy, we will demonstrate our influence to global investors, leading the digital asset industry.

REVIEW OF RESULTS

Overall Performance

The Group’s IFRS income was HK\$123.8 million during the Period, representing an increase of HK\$18.6 million from HK\$105.2 million in 1H2023. The Group’s IFRS loss from continuing operations was significantly reduced to HK\$9.6 million during the Period, representing a reduction by 90.2% from HK\$98.9 million in 1H2023. The change in IFRS income was primarily attributable to net gain of digital assets used in facilitation of the OSL prime brokerage business of HK\$64.9 million (1H2023: net gain of HK\$28.5 million) and net fair value loss on digital assets of HK\$6.8 million (1H2023: net fair value gain of HK\$9.6 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\$65.6 million for the Period, showing a slight decline of HK\$1.5 million from HK\$67.1 million in 1H2023.

Loss per share of the Group from continuing operations for the Period was HK\$0.02 (1H2023: HK\$0.23).

Non-IFRS Measures

To supplement the Group's unaudited condensed consolidated interim financial information which is 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) trading fee from automated trading service, and (vi) others.

The volatility and uncertainty generally characterizes the digital assets market, the Group recognised net gain of digital assets used in facilitation of prime brokerage business of HK\$64.9 million for the Period (1H2023: net gain of HK\$28.5 million) and net fair value loss on digital assets of HK\$6.8 million for the Period (1H2023: net fair value gain of HK\$9.6 million). As the price volatility of digital assets may cause significant impact to the Group's operating performance, the Group considers it appropriate to supplement the unaudited condensed consolidated interim financial information by presenting income from digital assets and blockchain platform business into (i) margin from trading digital assets and others; (ii) net gain/loss of digital assets used in facilitation of prime brokerage business; and (iii) net fair value gain/loss on digital assets. The Group considers that margin from trading digital assets and other, i.e., adjusted non-IFRS income, can better reflect volumes of the Group's digital assets trading business.

The Group defines margin from trading digital assets and others, i.e. adjusted non-IFRS income from digital assets and blockchain platform business (unaudited), as the realised net gain/loss with reference to the transaction price of the daily trade transactions executed to facilitate the prime brokerage business before considering the fair value movements of the digital assets held. Net gain/loss of digital assets used in facilitation of prime brokerage business is a realized gain/loss from the fair value movement of the digital assets held. Net fair value gain/loss on digital assets is an unrealized gain/loss in nature and it is determined as the fair value movement of the Group's proprietary digital assets on hand which was remeasured at period-end market price as at 30 June 2024.

The Group believes that the addition of the non-IFRS measures facilitates comparisons of operating performance from period to period by providing more relevant financial information that management considers to be more illustrative of the Group's operating performance to the public, and that the non-IFRS measures provides useful information to its shareholders, investors and others in understanding and evaluating the consolidated

results of operations in the same manner as it helps management. However, presentation of the non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measures has limitations as analytical tools, and shareholders, investors and others should not consider it in isolation from, or as a substitute for analysis of, results of operations or financial condition as reported under IFRS.

The table below sets forth a reconciliation of the Group's IFRS income to the Group's adjusted non-IFRS income for the Period and 1H2023:

	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
		(Represented)
Group's IFRS income from digital assets and blockchain platform business	<u>123,789</u>	<u>105,217</u>
	Unaudited	
	For the six months ended	
	30 June	
	2024	2023
	HK\$'000	HK\$'000
		(Represented)
Income from digital assets and blockchain platform business in accordance with IFRS (per above)	123,789	105,217
Add back:		
Net fair value loss/(gain) on digital assets	6,761	(9,571)
Net gain of digital assets used in facilitation of prime brokerage business (unaudited)	<u>(64,902)</u>	<u>(28,504)</u>
Group's adjusted non-IFRS income from digital assets and blockchain platform business (unaudited)	<u>65,648</u>	<u>67,142</u>

The OSL Digital Assets Platform

The OSL digital assets platform comprises two main business sectors: 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, professional investors and retail clients.

The OSL digital assets platform's IFRS income was HK\$123.8 million for the Period, representing an increase of HK\$18.6 million from HK\$105.2 million in 1H2023.

OSL prime brokerage adjusted non-IFRS income, which is the combined income from OTC and intelligent Request for Quote (“iRFQ”) trading, amounted to HK\$31.4 million, representing a decrease by HK\$11.7 million YoY. Trading fee income decreased by HK\$1.4 million YoY to HK\$4.2 million. Others increased by HK\$1.3 million YoY to HK\$4.7 million, and service fee income from SaaS rose to HK\$25.3 million, showing an increase by HK\$10.3 million YoY.

The OSL digital assets platform's total trading volume was HK\$58.3 billion for the Period, representing a decrease of 48.3% from HK\$112.6 billion in 1H2023. Brokerage trading volume, which is the combined trading volumes from OTC and iRFQ, was down 59.4% YoY to HK\$39.8 billion from HK\$98.0 billion. Exchange trading volume was up 52.6% YoY to HK\$13.6 billion from HK\$8.9 billion. SaaS trading volume decreased 15.5% YoY to HK\$4.8 billion from HK\$5.7 billion.

Disposal of Mainland China's Business Park Management Services

On 17 January 2024, the resolution of the disposal of 90% equity interest in Shanghai Jingwei was duly passed in the extraordinary general meeting, which was engaged in provision for business park area management services in Mainland China. The disposal of Shanghai Jingwei was subsequently completed in March 2024.

Fee and Commission Expenses

The Group's fee and commission expenses was HK\$3.7 million for the Period, representing a decline of HK\$10.3 million from HK\$14.0 million in 1H2023. The reduction was mainly due to the decrease in referral expenses during the Period. The intention of referral expenses is to introduce clients to the Group's trading platforms to create quantitative benefits to the Group in the form of trading commissions or revenues resulting from client transaction volumes.

IT Costs and Other Operating Expenses

The Group endeavored to control cost with the successful implementation of cost-saving measures during the Period. IT costs was HK\$13.7 million, showing a decrease of HK\$10.9 million YoY. Other operating expenses was HK\$40.1 million, representing a decrease of HK\$3.7 million YoY. IT costs related to establishing the corporate and technical infrastructure for the regulated institutional digital asset business, as the Group gradually reduced the technology related spendings after the successful completion of a number of technology upgrades.

Net Loss

Net loss of the Group from continuing operations for the Period was HK\$9.6 million, a significant decrease by HK\$89.3 million as compared with HK\$98.9 million for 1H2023. This decrease underscores the Group's successful efforts in the moderation in staff cost and technology spending and gain of digital assets held by the Group used in facilitation of prime brokerage business.

Human Resources Cost and Remuneration Policies

As at 30 June 2024, the Group had a total of 167 employees across its Hong Kong, Singapore, Australia, UK, and Mainland China (30 June 2023: 119 employees). The total staff cost during the Period was HK\$82.1 million (30 June 2023: HK\$91.0 million).

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

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

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

In regards to the 2012 Share Option Scheme, no share options were granted during the Period, while 945,000 share options had lapsed (30 June 2023: 2,924,333 share options) and 300,000 share options had been exercised (30 June 2023: Nil), hence 17,640,500 share options remained outstanding (30 June 2023: 29,787,704 share options).

In regards to the 2021 Share Option Scheme, no share options were granted during the Period (30 June 2023: same), while 4,555,000 share options had lapsed (30 June 2023: 8,520,000 share options) and no share options had been exercised (30 June 2023: same), hence 2,330,000 share options remained outstanding (30 June 2023: 7,910,000 share options).

The Company also adopted the share award plan on 21 August 2018 to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group.

No new shares were granted and no shares were regranted during the Period (30 June 2023: no new shares were granted, while 2,835,000 awarded shares were regranted), and 1,634,000 awarded shares had lapsed (30 June 2023: 1,602,280 awarded shares), and 880,000 awarded shares were vested (30 June 2023: 343,013 awarded shares), hence 1,221,996 awarded shares remained unvested as at 30 June 2024 (30 June 2023: 4,858,526 awarded shares).

PROSPECTS

The Group is poised for further expansion, leveraging its robust trading infrastructure and strategic vision to capitalize on emerging opportunities in the digital economy. By maintaining high compliance standards and forging key partnerships, the Group is set to strengthen its position as a global leader in digital asset trading.

Geographical Expansion

There is significant global interest in the digital economy, and we believe that a global, diversified network is crucial for the Group's future development. While maintaining our high standards of compliance, the Group will actively expand its operations in various regions, particularly in Asia-Pacific region, through investments in quality targets and establishing business partnerships with local partners.

Business Development

In the future, the Group will actively expand the digital economy ecosystem, aiming to provide digital asset products that meet market demand. This includes potential business opportunities such as SaaS services, tokenized financial products, and real-world asset tokenization (RWA).

Retail Business

Since the launch of the Group's Mobile App 2.0, we have been actively expanding our retail business. Over the next year, the Group plans to enhance services to individual consumers through more aggressive marketing campaigns and continuous client upgrades. This will help attract more new users to choose the Group's services.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2024, the Group recorded total assets of HK\$1,914.7 million (31 December 2023: HK\$1,440.8 million), total liabilities of HK\$820.1 million (31 December 2023: HK\$1,045.7 million) and total shareholders' equity of HK\$1,094.6 million (31 December 2023: HK\$395.1 million). As at 30 June 2024, the gross gearing ratio (defined as total liabilities over total assets) was approximately 42.8% (31 December 2023: 72.6%).

The Group's cash position, after deduction of cash liabilities due to clients, as at 30 June 2024 was HK\$748.9 million (31 December 2023: HK\$165.0 million). Balance of the Group's proprietary digital assets increased to HK\$259.0 million as of 30 June 2024 from HK\$184.6 million as of 31 December 2023 given an increase in the value of digital assets in 1H 2024.

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

There was no borrowing as of 30 June 2024 (31 December 2023: Nil). No borrowing was secured by digital assets as at 30 June 2024 (31 December 2023: Nil). As at 30 June 2024, the Group was in a net current assets position (31 December 2023: net current assets position).

Treasury Policy

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

No financial instrument was used for hedging purposes for the Period. However, the Group is closely monitoring its currency exchange risk of RMB.

Material Acquisitions and Disposals of Subsidiaries

Except for the disposal of the Group's 90% equity interest in Shanghai Jingwei, which was engaged in provision for business park area management services in Mainland China and was subsequently completed the disposal in March 2024, the Group did not have any material acquisitions or disposals of subsidiaries (31 December 2023: Nil).

Charge on the Group's Assets

As at 30 June 2024, the Group did not have any significant pledge (31 December 2023: Nil).

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

As at 30 June 2024, the Group did not have any significant contracted commitment (31 December 2023: Nil).

Contingent Liabilities

As at 30 June 2024 and 31 December 2023, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 5 August 2024, Mr. Cui Song has been appointed as the Chief Executive Officer of the Company. Mr. Pan Zhiyong, who has been the Chairman, Executive Director, and Chief Executive Officer of the Company, ceased to serve as the Chief Executive Officer of the Company with effect from 5 August 2024. Mr. Pan remains in his roles of Chairman and Executive Director of the Company, and will focus on the Company's corporate strategy, board governance, overseas mergers and acquisitions and government collaborations.

INTERIM DIVIDEND

The Board resolved not to recommend an interim dividend in respect of the Period to the holders of ordinary shares of the Company (30 June 2023: Nil).

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules as a code of conduct regarding securities transactions by the Directors of the Company. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Model Code during the Period.

CORPORATE GOVERNANCE CODE

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 Part 2 of Appendix C1 to the Listing Rules.

During the Period, the Company has complied with the code provisions set out in the CG Code except for deviation from code provision C.2.1 of the CG Code as summarized below:

Code provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. During the Period, Mr. Pan Zhiyong, the executive director of the Company, has acted as both the chairman of the Board and the Chief Executive Officer. To further strengthen the Company's corporate governance, and in connection with the expansion of the Company's senior leadership team, Mr. Pan Zhiyong, who has been the Chairman, Executive Director, and Chief Executive Officer of the Company, ceased to serve as the Chief Executive Officer of the Company with effect from 5 August 2024. Mr. Pan remains in his roles of Chairman and Executive Director of the Company, and will focus on the Company's corporate strategy, board governance, overseas mergers and acquisitions and government collaborations.

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. Xu Biao and Mr. Yang Huan.

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 information for the six months ended 30 June 2024.

By order of the Board
OSL Group Limited
Pan Zhiyong
Chairman and Executive Director

Hong Kong, 15 August 2024

As at the date of this announcement, the executive Directors are Mr. Pan Zhiyong, Mr. Ko Chun Shun, Johnson, Ms. Xu Kang, Mr. Yang Chao and Mr. Tiu Ka Chun, Gary and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Xu Biao and Mr. Yang Huan.